UNDERSTANDING THE DYNAMICS OF PRICING STRATEGY AND COMPETITIVE ADVANTAGE: AN ACTION RESEARCH ON A REGIONAL ICT COMPANY IN ASIA

Thesis submitted in accordance with the requirements of the

University of Liverpool for the degree of Doctor of Business

Administration by Wen Jun, Demain Lee

February 2019

ABSTRACT

Understanding the Dynamics of Pricing Strategy and Competitive Advantage: An Action Research on a Regional ICT Company in Asia

Wen Jun, Demain Lee

University of Liverpool

2019

This thesis is an account of how I have generated my theory of practice as a pricing professional in an ICT company in Asia. My intent in undertaking my action research originates from my company intention to move away from the traditional cost-plus pricing strategy to a value-based pricing strategy in its global data connectivity services business to differentiate ourselves from cost-driven rivals. My inquiry focuses on exploring my understanding of how I have facilitated my company in implementing value-based pricing (VBP) strategy in channel partner pricing program and pricing empowerment framework, and how the integration of VBP in these action research projects help enhance my company's competitive advantage. Firstly, the cases used in the channel partner pricing program showed that my company tried to understand the channel partners' desired value perception and improve our bargaining position as a means to improve value capture. Secondly, the pricing empowerment project showed the interaction within internal stakeholders and how I influence the change in mentality and create a shift from a one-size-fits all pricing empowerment to one that focuses on strategic account portfolio management. In doing so, my action research study contributes to the literature on customer value, organisational capabilities and business model in previously unexplored areas. Moreover, my action research project also guides business practitioners who are willing to develop VBP as part of their business model.

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CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

This chapter provides an overview of the case company presented in my action research study. It includes a background on the business the case company serves and the contracts it typically negotiates. This section will also outline my role, the issues, questions, problems, and opportunities that had influenced my action research study. Additionally, this section will also provide my perspective on how existing literature about VBP, channel pricing, pricing empowerment, and competitive advantage will be used.

1.2 CHOICE OF CASE COMPANY

Before outlining my role, the issues, questions, problems, and opportunities that have influenced my action research study. It will be important for me to find a company that was interested in making changes to its current pricing strategy. For anonymity purposes, the case company will use a fictive name ABC. ABC is a group with business in pay TV, data and internet services, telecommunications, and info-communications technology (ICT). ABC is one of the largest publicly listed companies in Asia by market capitalisation (US$42 Billion) where more than 70% of its revenues come from international investments and operations. As part of its growth strategy, it has substantial investments in telecommunications companies in Australia, Bangladesh, India, Indonesia, Pakistan, Singapore, Thailand, and the Philippines. Its extensive presence in Asia has enabled ABC to consolidate its regional leadership position within the telecommunication and ICT industry in Asia, servicing both corporate and consumer markets.

ABC has more than 130 years of operating experience and has highly developed international networks that provide direct connections from its headquarters to more than 100 countries. It is a major investor in many of the world's most sophisticated submarine cable and satellite systems, thus making it one of the largest satellite operators in the Asia Pacific region. ABC is also a leading Managed Services and Cloud Solutions provider in the Asia Pacific Region. With a strong partnership with leading players, ABC can offer a comprehensive suite of managed services solution over it's secure, reliable, and industry-leading global data connectivity services. Given ABC's broad range of services, my action research will focus on global data connectivity services for large enterprises that employed more than 200 employees with an annual sales turnover of more than USD70 Million. The contractual values that ABC typically negotiates with these big companies range from USD100K to USD14 Million.

1.3 SCOPE OF PRODUCT

As mentioned in section 1.2, the focus of my action research will be on global data connectivity services. Firstly, this is because data traffic volumes have risen at an unprecedented pace due to the proliferation of mobile devices, growing traffic as well as the adoption of private and centralised cloud infrastructure. The massive volume of information generated by organisations also meant that they would need to transfer and analyse big data for business intelligence purposes. Thus, other than secure and reliable connectivity, organisations would require global connectivity that responds rapidly to growing networks demand without having to upgrade their bandwidth in large and costly increments. Additionally, organisations are also looking at global data connectivity services that require a minimum need for specialised networking equipment.

Secondly, the majority of my pricing duties are linked to the pricing activities of global data connectivity services.

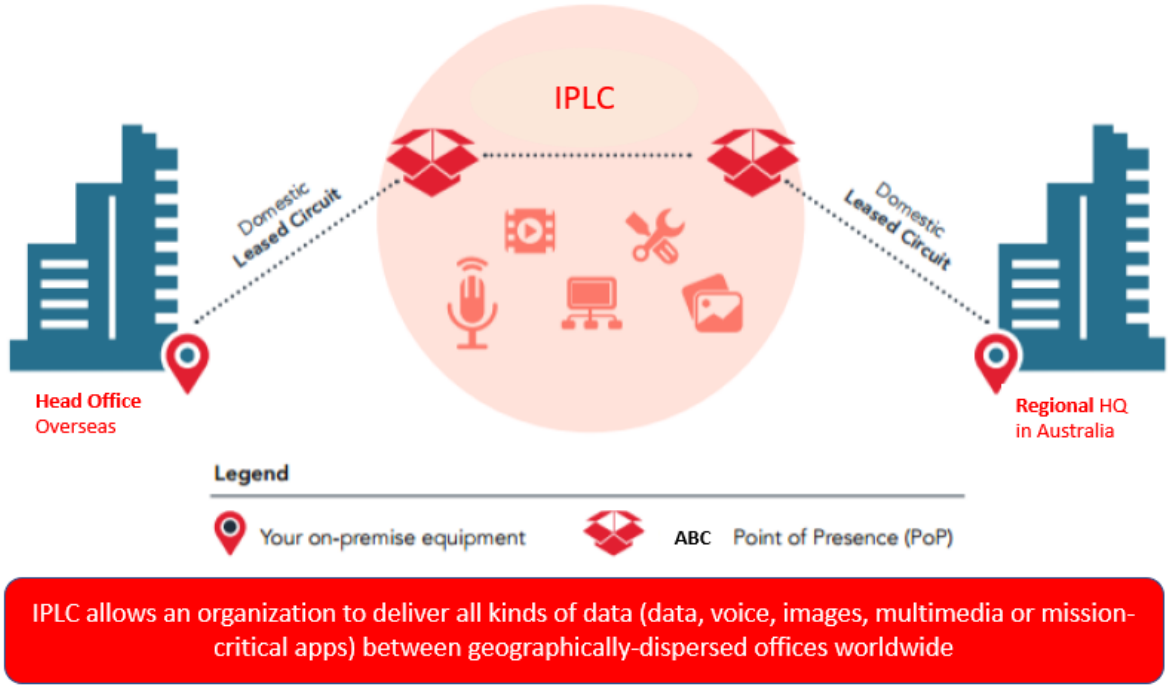
ABC's comprehensive suite of Wide Area Network (WAN) connectivity provides constant data traffic and help organisations stay connected with their global offices. The type of global data connectivity solutions ranges from dedicated leased lines to fully managed network services, giving big businesses an option for speed granularity, security as well as control to suit their unique data transmission requirements. The global data connectivity services offered by ABC has an extensive global coverage to more than 80 cities globally, from key cities to regulated emerging markets in Africa, the Americas, Asia-Pacific, Europe, and the Middle East. ABC's wide range of global connectivity solutions includes International Private Leased Circuit (IPLC), Ethernet Line (E-line), Ethernet Virtual Private Network (E-VPN), Internet Protocol Virtual Private Network (IPVPN) as well as Ultra Low Latency (ULL). Since the majority of my pricing activities were related to IPLC, E-line, and IPVPN, the scope of the product included in my action research study will be narrowed down to these three products.

1.3.1 International Private Leased Circuit (IPLC)

ABC's IPLC is a point to point data dedicated leased line connection between two countries that is delivered over a fully-meshed auto re-routable network that provides maximum uptime and data protection. ABC's IPLC uses Automatically Switched Optical Network (ASON) technology that enables better resiliency and bandwidth management. The dedicated Layer 1 point to point line

enables the transfer of multiple applications such as voice, video and mission-critical applications with minimum downtime risk and data breach. Figure 1 illustrates IPLC:

Figure 1: IPLC with Specifications



Specifications

Topology	Point-to-point
Network layer	Layer 1
Technology	Automatically Switched Optical Network (ASON) Synchronous Digital Hierarchy (SDH)
Supported bandwidths	The following are the bandwidths offered, with higher bandwidths being available upon request: • 2Mbps / E1 • 45Mbps / DS3 • 155Mbps / STM-1 • 622Mbps / STM-4 • 2.5Gbps / STM-16 • 10Gbps / STM-64
Restoration options	Customers may choose from three different levels of protection on the ASON network
Service level agreements	Up to 99.9% end-to-end circuit availability

ABC has an extensive IPLC network coverage that helps organisations connect to more than 100 countries. ABC owns bandwidth in many of the world's most sophisticated submarine cable systems, such as APCN2, SJC, UNITY, SMW4, SMW5, FASTER, and Indigo cable networks. Some of the key benefits include:

1. Guaranteed data delivery and bandwidth – ABC dedicated Layer 1 point-to-point line ensures the transfer of voice, video, and mission-critical applications without risk of downtime or data breach. For quality assurance, ABC offers service guarantees on the provisioning period and service availability.

2. Organisation has full control over its WAN as it has the autonomy to plan and design its WAN with deterministic latency. Organisation can also choose the amount of bandwidth required for its data delivery, allowing for better resource utilisation. This is being supported by ABC wholly-owned infrastructure, which gives organisations greater visibility over the monitoring of service quality.

3. Cables that are restorable and self-healing are resilient against faults and performance issues. With Automatically Switched Optical Network (ASON) technology, the organisation will get the assurance of up to 99.9% availability, thus ensuring smooth business operations with maximum uptime and business continuity.

4. ABC's extensive network coverage of 70 points-of-presence (POP) worldwide, as well as strong bilateral partnerships with international service providers, allow organisations to gain

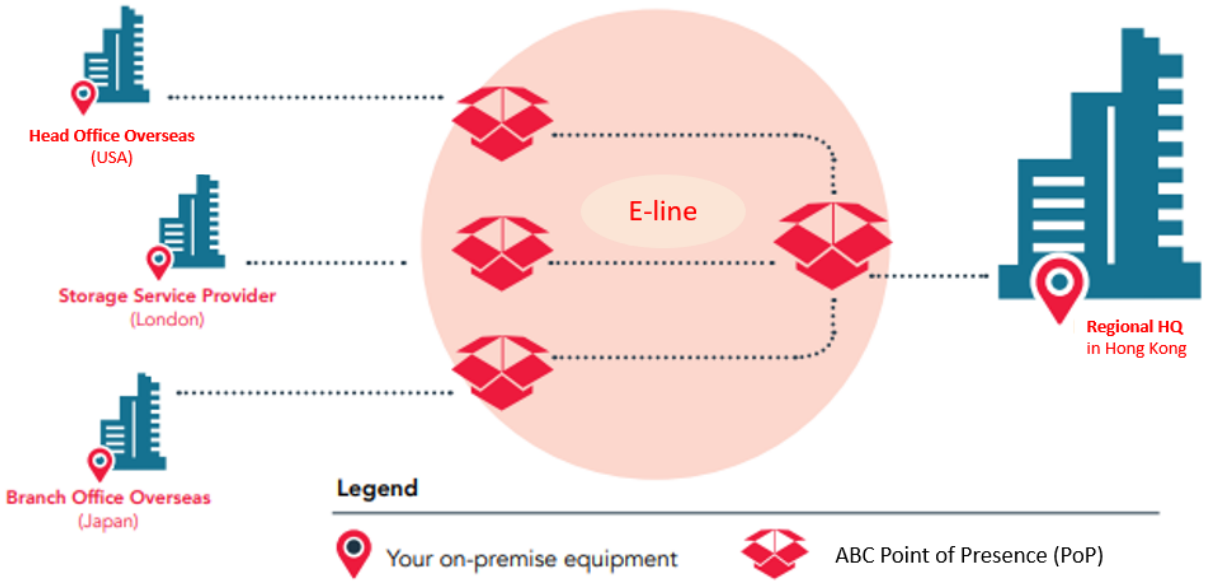
greater access to more than 60 countries. ABC's consistent quality of 24/7 global service support throughout the world ensures maximum uptime for an organisation's network.

1.3.2 Ethernet Line (E-Line)

ABC's E-line is a scalable point to point and point to multipoint service delivered over a dedicated network infrastructure, giving the organisation a standardised, resilient network to connect sites around the world and to extend its WAN internationally. ABC's E-line uses Multiprotocol Label Switching-Transport Profile (MPLS-TP) technology that delivers an information superhighway ideal for running mission-critical and highly interactive traffic such as voice, video, storage, and backup, or data from business applications. The Ethernet interface will not only simplify network management, but it will also enable seamless upgrades, thus providing greater network scalability and more efficient use of resources.

Additionally, MPLS-TP offers faster restoration through auto re-routing mechanisms with high bandwidth scalability of up to 10Gbps. It also enables an organisation to upgrade its bandwidth with electronic Bandwidth-On-Demand (eBOD) temporarily. ABC has extensive E-line cable network coverage that helps organisation connect to more than 100 countries. ABC owns bandwidth in many of the world's most sophisticated submarine cable systems, such as APCN2, SJC, UNITY, SMW4, SMW5, and FASTER cable networks. Figure 2 provides an illustration of E-line.

Figure 2: Eline with Specifications



E-line allows organization to connect data centres around the world over standardized ethernet infrastructure, allowing high-speed transfer of converged application, multimedia or backup traffic, with support for point-to-point and point-to-multipoint configurations.

Specifications

Topology	Point-to-point Point-to-multipoint
Network Layer	Layer 2
Technology	MPLS Transport Profile (MPLS-TP) Ethernet over SDH (EoSDH)
Interfaces	Fast-Ethernet for 2Mbps to 100Mbps Gigabit-Ethernet for above 100Mbps
Supported bandwidths	2 to 20Mbps in 2Mbps increments 20 to 100Mbps in 10Mbps increments 200Mbps to 1Gbps in 100Mbps increments 2Gbps to 10Gbps in 1Gbps increments
Restoration options	Customers may choose from three different levels of protection on the MPLS-TP platform
Service level agreements	Up to 99.9% end-to-end circuit availability

Some of the main advantages of E-line includes:

1. It allows an organisation to deploy its networks quickly and cost-effectively. The familiar and universal Ethernet interface supports a wide range of bandwidths, making this technology faster to deploy and more cost-effective compared to investing in specialised networking equipment.

2. E-line point to point connections ensure minimal congestion over a dedicated network, giving the organisation the performance it needs while maintaining high data security. The auto re-routing mechanisms in MPLS-TP enable fast failover, thus giving organisation high network uptime for all its application traffic.

3. E-line has a highly granular bandwidth increment of as little as 1Mbps, thus giving the organisation more control over its network. Customers will no longer experience big jumps in bandwidth costs since bandwidth can now be scaled continuously to accommodate future growth, without bandwidth wastage.

4. E-line deployment lead time can be reduced from 4-6 weeks to 1 week (subject to resource availability). The short upgrade lead times allows the customer to connect to new sites quickly to respond to market changes. With eBOD, the customer will be able to boost bandwidth temporarily within an even shorter timeframe.

5. E-line extensive network coverage of 60 PoPs across more than 23 cities worldwide allows the customer to connect to hard-to-reach places. With ABC 24/7 global service support, the

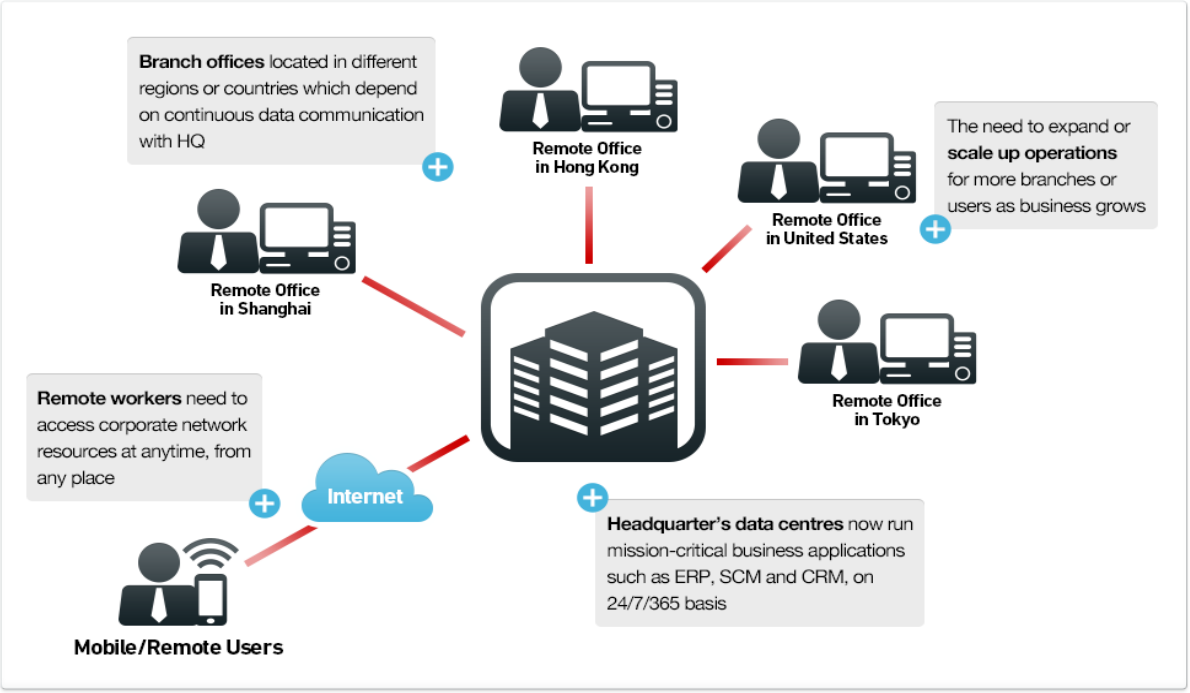
customer will experience consistent quality, maximum network uptime, and complete peace of mind.

1.3.3 Internet Protocol Virtual Private Network (IPVPN)

ABC empowered organisations to penetrate remote cities across the globe through IPVPN, a fully managed, highly secured private network services. It uses layer 3 Multi-protocol layer switching (MPLS) technology to help organisations scale and manage its WAN according to business requirements, prioritise application traffic flow, and protect organisation data. An organisation that chooses IPVPN will get to enjoy end-to-end network support based on consistent service level agreement and leverage IP-based technology to deploy ICT services in a single platform. Some of the benefits that come with IPVPN includes scalable network solutions that help organisation improved business agility, allowing the organisation to connect across multiple office locations cost-effectively, help to improve productivity and decision with IP traffic monitoring and management across the global office.

Additionally, for truly pervasive reach, ABC's IPVN can be integrated with dedication connections, Ethernet, DSL, Global Internet, and Internet VPN into a single, centrally managed network. ABC also offers satellite connectivity to reach remote places or sites with no terrestrial infrastructure. Lastly, IPVPN also provides a wide network presence comprising of more than 400 POPs across 200 global cities. Figure 3 provides a typical illustration of IPVPN.

Figure 3: IPVPN with Specifications



Specifications

Topology	Point-to-point
Network layer	Layer 3
Technology	Multiprotocol Layer Switching (MPLS)
Bandwidth availability (higher bandwidth available upon request)	2Mbps to 10Gbps Bandwidth granularity in increments of: - 1Mbps from 2Mbps to 100Mbps - 100Mbps from 100Mbps to 1Gbps - 500Mbps from 1Gbps to 10Gbps
Service level agreements	Up to 100% end-to-end circuit availability
Value added services available	• 6 classes of service • Bandwidth on-demand • electronic Bandwidth On-Demand (eBOD) • IPv6/IPv4 dual stack • Smart Routing As a Service • Mobile Secure Sockets Layer (SSL) • Secure Internet Gateway with Unified Threat Management (UTM) • Router management service • Traffic optimisation profiling (Application acceleration) • Multicast VPN • Voice over IP (VoIP) • Multiple VPN Port • Metro IP VPN • Extranet • Backup Ports • Remote VPN Port

Additionally, ABC's IPVPN addresses different performance levels required for various applications by offering a variety of classes of service (CoS). Together with their associated parameters, CoS defines the quality of service provided to different applications on the network. IPVPN with Cos will offer cost savings to customers as they can better optimise their network according to the applications they run. Cost savings can be achieved as there is little to no investment in additional to VPN equipment required at the customer premises for encryption and tunneling.

1.4 BACKGROUND OF THE STUDY

My profession as a senior pricing manager for a regional Integrated Communication and Technology (ICT) company had triggered my interest to embark on my selected action research projects. My professional experience in the organisation had allowed me to explore the gap in the company's current pricing strategy. As a participant researcher, I realised that that are many pricing related programmes that run independently with a minimal intra-organisation collaborative effort to enhance the pricing strategy further and strengthen the company's competitive advantage. Without adequate intra-organisation collaboration, pricing managers would not have proper guidelines and competitive information to counteract external competitive forces or fully utilised its resources to tap into the opportunities that are available in the market.

To implement an effective pricing strategy, different stakeholders would need to come together to facilitate the pricing strategy change initiatives. These stakeholders include product managers, finance managers, pricing managers, account managers, solution architects, and external partners.

From a personal and organisational perspective, pricing strategy has a critical role in ensuring higher wins for ABC. Although ABC had embarked on many pricing-related initiatives, many were done in silos with limited engagement across various functions and departments had resulted in poor take-up rates.

Besides professional reasons, the existing pricing related literature frequently focuses their research on standard products that are export-oriented and thus less complex in nature. My action research study looked into the pricing strategy aspect of global data connectivity services, a highly technical and complex service provided to large enterprises. Thus, the findings from existing pricing literature might not be relevant. It was in these contexts that I have chosen to focus on pricing strategy related issues in my DBA action research thesis.

1.5 SIGNIFICANCE OF THE STUDY

As mentioned in Section 1.4, there are limited pricing related studies done on the relationship between VBP and global data connectivity services. However, some areas can be developed, especially in providing an appreciation of the implementation process of VBP within the context of global data connectivity services. My action research study serves to provide insights on how VBP can enhance the competitive advantage of ABC from an intra-organisation perspective, which is a research area that remains underdeveloped in the current pricing strategy related literature.

The interpretive and subjective perspective of my action research study had provided a comprehensive understanding of ABC's pricing strategy. The adoption of an interpretive and subjective perspective was important because it recognised the complexity of implementing an effective pricing strategy within ABC and thus will provide intra-organisational insights on how pricing strategy can strengthen a firm's competitive advantage within the ICT industry. These insights are beneficial in providing a deeper understanding of how companies can adopt VBP effectively by focusing on the participants' experience and their interaction in a given context. Most importantly, my action research study showed how a firm could adopt action research in the implementation of VBP, a research area that has minimum development.

1.6 RESEARCH OBJECTIVES

My action research study focused on exploring the existing pricing strategy in ABC and the role pricing played in enhancing its competitive advantage. It examined the gap in ABC's current pricing strategy and how it can be further improvised to strengthen its competitive advantage. The research objectives of my action research study are as follow:

1. The implementation of Value-Based Pricing (VBP) in channel pricing and pricing empowerment.

2. The effectiveness of VBP in strengthening ABC's competitive advantage.

1.7 OVERVIEW OF METHODOLOGY

I had adopted participatory action research in my study. My ontological position of subjectivism and epistemological stance of interpretivism had influenced the choice of research methodology adopted in my research. The inductive approach used in action research was aligned with my ontological and epistemological position. I had used both qualitative and quantitative data in my action research project. Both qualitative and quantitative data are complementary to one another as the interpretation of both forms of data had helped validate and triangulate the results of my action research. If used effectively, the data collected, and insights generated in these ways, particularly with customer involvement and support will be difficult to challenge rationally. I believed that the use of both qualitative and quantitative data could help formulate the appropriate price strategy. The ability to incorporate the perspectives of critical stakeholders in my action research study has deepened my understanding of the effects VBP had on ABC's competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

I had decided to conduct my literature review right after my internal focus group discussion on 8th July 2014. By doing so, I was able to align the literature with the action items identified by the participants involved in the focus group. I made this decision because I felt that a strongly supported argument based on research facts from within ABC and argued or counter-argued by the literature at the point of time would be more relevant and impactful for ABC. By not conducting the literature review before the internal focus group discussion, I was not forced to narrow down my research area and fine-tuned my research questions. Literature review done at the start of the thesis has a danger of omitting literature that is relevant to the action research project or will include literature that is irrelevant to my action research project. This approach was also supported by Elden and Chisholm (1993) as part of knowledge diffusion, where the researcher was able to relate the research topic to the existing literature in an attempt to generate knowledge.

From the focus group discussion conducted on 8th July 2014, the literature review will focus on 1) Vision and Pricing Strategy, 2) Sunk Cost, 3) Value-Based Pricing (VBP) Strategy as a competitive advantage, 3) Channel Partner Pricing in VBP and 5) pricing empowerment. It is important to note that literature on pricing strategy within the context of global data connectivity services are underdeveloped. Thus I would need to rely on pricing strategy literature done in other industries.

2.2 VISION AND PRICING STRATEGY

When an organisation selects a pricing strategy, it will be essential to align pricing strategies to help execute the organisation's overall vision and corporate strategy (Ghahnavieh 2018). However, the first answer that often comes to mind will be to maximise profits (Ng, 2007). But this is often not enough. For example, if a company develops a new product, what is the goal? If it is merely to maximise profits, it does not indicate what types of products to develop. When a company invests heavily in a new marketing campaign intending to maximise profit, it does not tell the company which customer to target (Ng, 2007). Therefore, the pricing strategy will require more direction than just maximising profits. For example, IKEA vision "is to create a better everyday life for the many people" based on a business idea that supports this vision by "offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them" (IKEA, 2017, Dec 29). IKEA set its pricing strategy to be consistent with its overall goals, with the vision of who they are.

From ABC's perspective, it will be important for the CEO to develop the vision of where the company is heading. The leader will need to create numerous strategies to achieve the company's vision. Thus, an overall company strategy is a general description of how it will compete in the market and forms the fundamental basis of a company's sustainable competitive advantage (Porter, 1989, Kim, Jeon, et al. 2012). Therefore, a company's strategy should be based on differing its product or services from its competition. The basis of a company's strategy can be the location (Hart, 1995), relationship marketing (Kandampully and Duddy, 1999), or product features (Collis, 1994). Apart from value-based pricing, price should be the least preferred strategies to drive sustainable competitive advantage as it can be replicated. Strategies can be in many forms, but it

should not be the price as it is the least sustainable (Simon and Fassnacht, 2016, Mongrut, O'shee, et al. 2014).

According to Ansoff (1965), a strategy can be defined as a rational, top-down, structured process that consists of clear steps in establishing missions and goals. In this sense, a company achieves its objectives by aligning is people through vision and strategies. The CEO of the company must set up clear vision and strategy, but at each hierarchal level, people managers would need to clarify them, develop their strategy so that employees know what to do (Kaplan and Norton, 2008; Mintzberg and Waters, 1989). Thus, strategies are persistent procedures that managers use to help the team delivers on the objectives, and pricing strategies are no different. In the case of ABC, sales personnel will determine the price for the global data connectivity services, but he/she does this under the guidelines established by the pricing managers.

It is essential that the pricing strategy is done to support the corporate strategy. For example, Apple's objective is to sell high-end products and provide a great experience to its customer. Thus any form of aggressive discounting will hurt its brand and reputation (Simon and Fassnacht, 2016). For a company like Walmart, which adopts a low-price strategy, being caught with high prices in a few products can have a detrimental impact on its reputation. These two examples adopt different pricing strategies, but no matter what a company vision and corporate strategy are, it cannot be denied that pricing plays a critical role and must be consistent (Hooley, Saunders, et al. 1998).

In large organisations, the setting of price strategies is highly collaborative despite the existent of a pricing team (Liozu, 2015a). Pricing teams either report to the finance department, marketing, product management, or even sales (Liozu, 2015b). Regardless of the pricing team's formal reporting line, different functional stakeholders are extremely interested in or involved in pricing related activities. Due to the collaborative nature of pricing, strategic pricing decisions are difficult to conclude as pricing managers are expected to balance competing demands from sales (aggressive price) (Holden and Burton, 2008) and product management (higher prices) (Sebestyén, 2017). The only resolution to these conflicting demands is to escalate to the higher management levels of an organisation.

2.1.1 Do Not Adopt Low-Pricing as a Corporate Strategy

As mentioned in section 2.1, pricing cannot be treated as a corporate strategy but should be one of the strategies used to achieve the overall company's corporate objectives. This is because competing in price is unsustainable as prices can be changed almost instantly (Simon and Fassnacht, 2016, Mongrut, O'shee, et al. 2014). The only time where pricing is a corporate strategy was when a company positioned itself as a low-price leader. The company that positioned itself as a low-price leader must continually lower and control both its internal and external cost structure (Harmon, Raffo, et al. 2005). With the advancement of global data network connectivity technology has considerably reduced the cost of service providers.

According to research done by Gunning, Wilkinson, et al. (2006), there was significant to modest cost advantages when a customer switched to an Ethernet circuit from a traditional leased line in

Europe. It is important to note that these cost savings are available to all service operators who have a business operation in Europe and are not unique. Thus, service providers that adopt a price leader positioning in providing global data connectivity services would face a sustainability issue as it can be duplicated easily. Therefore, service operators are required to integrate technology across a multiplicity of classes of service to differentiate itself from competitors who will give them access to new market and service revenue opportunities (Finnie, Lewis, et al. 2003). If service providers opt to be a price leader within the global data connectivity sector, they are attracting price-sensitive buyers. The latter will switch providers once a competitor charge lower prices. For example, Kmart used to be a low-price leader, but Walmart overtook it because the central differential between these two retailers is the price, whoever offers a better price win (Carden, 2013).

A low price strategy is a position that is hard to defend. Thus, service providers must continuously create a better system and lower cost structure to protect their position. Even if ABC does not adopt a low-cost strategy, it still needs to put considerable emphasis on cost reduction as deals are won and lost based on prices. This is because the price is always a part of a customer buying decision process, and it is not confined within the retail space and can also be generalised to the ICT industry. Since cost still plays a vital role in pricing strategy, the topic of the sunk cost will be discussed in the next section.

2.2 SUNK COST

The sunk cost can be defined as the cost incurred by a company to lunch a new product (Sutton, 1991) and is irrelevant to pricing as it has been incurred in the past and should be omitted from pricing strategy decisions (Hsu, 2006). This is especially so when it comes to cost treatment about global data connectivity services. As submarine and terrestrial cables investment can be expensive, the investment will be made at a consortium level (Islam and Rahman, 2006), and the cost split according to each service provider (carrier/investor) light up requirement. Thus, from a sunk cost perspective, the cost will be the same for service providers when calculated from a per megabytes basis. Service providers who invested in submarine cables have a return of investment of 30-50% per annum and would have paid off their investment within a maximum of three years after coming into service (Williams, 1997). Thus, what should be of concern for pricing global data connectivity services will be the variable cost.

As ABC move towards value-based pricing to differentiate itself from its competitors, the price should be determined by customers' willingness to pay. Their willingness to pay should be derived from the perceived incremental benefit they will be getting from purchasing the company product or services (Hinterhuber, 2004). The customer's willingness to pay does not change if you have a higher sunk cost than your competitor. Since sunk cost does not influence customers' willingness to pay, it should not form part of a company's pricing decisions. Additionally, if we are to look at the gross profit (net sales revenues less variable cost), variable costs are part of the equitation but not fixed cost (e.g., a sunk cost is a past fixed cost) (Hinterhuber, 2004). Sunk cost not being a part of the equation further support the fact that it should not influence pricing decisions.

2.3 VBP AS A FORM OF COMPETITIVE ADVANTAGE

As mentioned in earlier chapters, except for VBP, pricing is not a sustainable competitive advantage. Thus, in this section, I will first define competitive advantage and value creation, followed by a review of value-based pricing literature and its importance in aiding a company to achieve a competitive advantage.

2.3.1 The Relationship between Competitive Advantage and Value Creation

With higher demand for global data connectivity coupled with the substantial cost savings derived from advancement in submarines and terrestrial connectivity technology, access to global data connectivity between global offices is being made more affordable (Gunning, Wilkinson, et al. 2006). As bandwidth associated with global data connectivity becomes commoditised, service operator like ABC is required to integrate technology across a multiplicity of classes of service to differentiate itself from competitors (Finnie, Lewis, et al. 2003, Mellin, 2009, Lee, Park, et al. 2012). According to competitive advantage literature, the potential sources of competitive advantage are many, but the dominant anchor for developing and sustaining competitive advantage comes from value creation (Hu., Kandampully, et al. 2009).

The concept of value creation is broad and can take on many definitions, but my principal focus in this section is on value creation based on two fundamental sources: (1) customers and (2) the company (Prahalad and Ramaswamy 2004). Customer value is mostly concerned with what constitutes value from the customer perspective, and it is arguably the biggest challenge facing companies. For example, a company that adopts a conventional approach to product innovation

will focus its research and development effort to create a product with the latest technology. However, a company that uses a customer-focused approach will produce insights into customers' pain points that need a solution, not a product (Töytäri., Brashear Alejandro, et al. 2011). Successful companies are customer-focused, and the VBP journey is, in large part, a process of positioning a company's product or services to help resolve a customer problem.

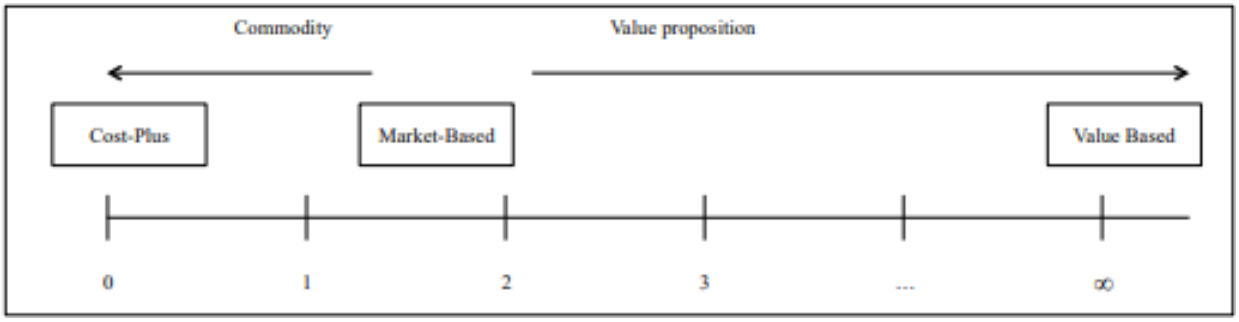
If a company does not know its real differentiation in the customer's value chain, it will be tough for the company to quantify the value it can offer as it will not be able to describe success in the customer's terms. Without understanding the customer's needs, it will be challenging to craft up a compelling value proposition. Thus, successful companies engage with customers through dialogue over a period that able both parties to understand better each other's aspirations, needs, and pain points (Dolan, 1995). Such exchange often leads to customised solutions that address a customer's pain points in the value chain and a consensus in idem that provide a foundation to a subsequent contract (Brady., Davies, et al. 2004). Thus, having explored the relationship between value creation and competitive advantage, I will discuss the three most common pricing strategy used globally in the following section.

2.3.2 Pricing Strategy

Before VBP can be defined, it will be essential to understand the generic pricing strategies that are common in the market and why VBP is the pricing strategy that should be adopted to further enhanced a company's competitive advantage. Pricing literature has indicated that the three most common pricing strategies used globally by companies are cost-plus pricing, market-based pricing,

and VBP (Noble and Gruca 1999, Hinterhuber 2008 and Farras 2012). Farras (2012), who derived a scale for a VBP strategy had indicated that at the lower end of the spectrum consists of cost-plus pricing strategy and at the top consist of VBP, in the middle of the spectrum will be market-based pricing. Figure 4 shows the scale for VBP strategy.

Figure 4: Scale of VBP Strategy (Ferras 2012)



Cost-plus pricing is the most straightforward pricing strategy as it is based on the total cost a company incurred in manufacturing a product or delivering a service. Cost-plus pricing is the most popular pricing strategy adopted by most companies, and it is normally applied in conjunction with market-based pricing (Atkin and Skinner 1977, Mills and Sweeting 1988, Fabiani., Loupias, et al. 2007). Companies that adopt cost-plus pricing will usually add up all unit fixed and variable cost and then add a mark-up percentage to derive the price. The advantages of cost-plus pricing are that it is simple to implement, and the company need not understand its customers. However, cost-plus can be replicated easily by competitors and is not optimal pricing (Drury 2013). Cost-plus pricing tends to divorce price policy from the value proposition and the customer. Since value cannot be created from cost-plus pricing, it cannot be a pricing strategy used to strengthen a company's competitive advantage.

Another pitfall of cost-plus pricing is that a realistic price will yield the projected sales volumes within the cost identified. However, projection might not always be accurate, and many companies are forced to spread the costs over a smaller number of units and apply the same mark-up as before. If the reason for poor sales is due to the high prices, companies will need to cut prices to make the planned volume, thus invalidate the cost-plus strategy (Drury 2013).

Market-based Pricing and also known as competitive pricing (Noble and Gruca, 1999) is a pricing strategy that does not focus on cost and value proposition. In a market-based pricing environment, the demand is inelastic and has a minimum to no product differentiation among competitive products or services. Thus, a company that sells its product or services based on market-based pricing will sell its product or services at a competitive price and will often compare their price offering against the competition (Ferras, 2012). Thus, companies that adopt this form of pricing strategy are re-active when there is a price change or will even predict competitors' price move in advance. According to Jensen (2013), when a company matches its product or service offering against competitors' prices, it fails to capture the real value of its product benefits. Additionally, a company that adopts this pricing strategy will also fail to recognise its product advantages and disadvantages when compared against a competitor (Jensen 2013).

Both cost-plus pricing and Market-based pricing will cause the value of a company's product or services to differ substantially from the competition. Therefore, matching competitor prices would mean that it would lose the price premium it could have commanded because the company had under-priced its product or services. Additionally, both forms of pricing strategies can result in a

substantial loss in unit sales because a company had overpriced it's product or service perceived value.

Value-based Pricing is best defined as a pricing strategy that is being "designed and communicated such that all parties understand, recognise, and accept the distinctive worth of products and services purchased in the transaction and participate optimally in the gains created by their use" (Macdivitt and Wilkinson 2012, p.106). This definition is appropriate as it defined price at each transaction level based on the customer's perceived value, a typical scenario that ABC experience in its price-setting process. Thus, at a transactional level, stakeholders involved in VBP needs to be motivated by a desire to deliver a superior solution to address a customer's pain point (Dolan, 1995, Töytäri., Brashear Alejandro, et al. 2011, Macdivitt and Wilkinson 2012).

When adopting VBP, pricing professionals need to gather facts that can be converted into meaning information that accounts for customers' needs, how the company product or services address those needs, and how valuable that solution is, all from the perspective of the customer (Smith, 2016). VBP isn't about a specific process or technique but a series of exchanges and dialogues between a company and its customer. It is not just to charge higher prices or to achieve a better profit – it is about creating a sustainable business relationship. If effectively deployed, VBP can lead to win-win situations and help firms establish long-term sustainable relationships based on trust (Macdivitt and Wilkinson 2012).

Given the nature of global data connectivity services, which requires the integration of embedded services, hardware and software have suggested that the selection of a pricing strategy is a complex decision (Roine, Sainio et al. 2012, Hobday et al. 2005, Davies 2004). Due to the simplicity of implementation, cost-plus pricing is the most popular pricing strategy adopted by companies. However, pricing strategy such as cost-plus and market-based pricing is not an optimal choice when it comes to pricing integrated solutions such as global data connectivity services (Bontis and Chung 2000). This is because most companies placed a high emphasis on financial perspective and overlooked the importance of adopting a pricing strategy that aligns with customer value realisation. Since VBP can quantify customer perceived value in its pricing arithmetic, it will be the best pricing strategy to be adopted by ABC (Doster and Roegner 2001).

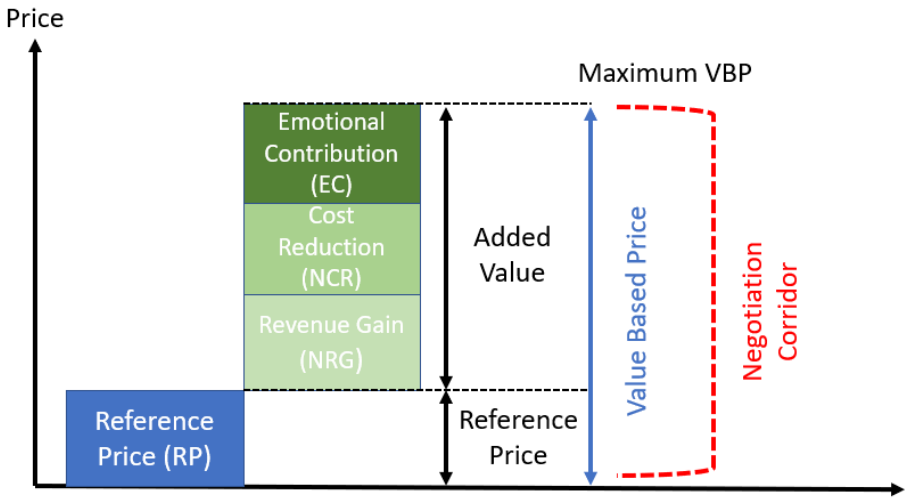
However, VBP should only be adopted if the product or services are not a commodity in the market. VBP is most appropriate if the product or services requires customisation to help solve a customer's pain point. If a company wishes to implement VBP, it would need to focus on the value of its product and services offered to the customers compared with some reference. The reference product or services will generally be the customer's existing product or services they are using or would use in the event where our solution is not available (Töytäri, Rajala et al. 2015) (Macdivitt and Wilkinson 2012). According to Macdivitt and Wikinson (2012) and Page (2013), VBP has five fundamental building blocks (Figure 5):

1. the price of a reference product or service (RP)
2. The quantified net gains in revenue relative to the reference (net revenue gains or NRG)
3. The quantified net reductions in cost relative to the reference (net cost reduction, NCR)

4. Emotional contribution (EC), for example, greater peace of mind, risk reduction, reduced "hassle" and inconvenience, etc.

5. Negotiation Corridor refers to the final negotiated price in the corridor between the reference price and the maximum VBP.

Figure 5: Building Blocks of VBP (Macdivitt and Wikinson 2012)



Although these four factors (RP, NRG, NCR, EC) are difficult to quantify objectively, they are critical in influencing the customer's buying decision. The formula for VBP is as follows:

$$Maximum\ VBP = RP + NRG + NCR + EC$$

For VBP to work, the company needs to understand its customers' businesses so that it will be in a better position to assess how its product and services benefit its customer in terms of revenue streams, elimination of cost, and emotional contribution. If the company can capture this information and justify them in the VBP calculation, it will be easier for them to construct a target Value-Based Price. How the building blocks can be integrated into my action research will be

further elaborated in the methodology and findings chapters. Table 1 provides a comparison between cost-plus pricing, market-based pricing, and VBP.

Table 1: Comparison between Cost-Plus Pricing, Market-Based Pricing, and VBP

	Cost-Plus	**Market-Based**	**VBP**
Focus	Internal Cost and their reduction	Competitors' prices and specifications	Delivery of measurable benefits to all parties to the relationship
Encourages	A formula-based approach that is applied by rote and without specific consideration	To pursue market share rather than profit	Cooperation, partnership, and in-depth customer knowledge
Customer Relationships	Not well developed	Not well developed	Central to all transactions
Reward for innovation	Minimal to none	Minimal to none	High and sustainable returns if innovation leads to a meaningful product or service differentiation
Selling Methods	Transactional with emphasis on features and specification	Transactional with emphasis on features and specification	Consultative/ solution-based demanding a detailed understanding of a buyer's business context and value-adding processes
Inducement to buy	Discounting and deals	Discounting and deals	Demonstrable economic advantages at different places in the value chain
Organisational approach	Junior/middle management with significant discretion for sales personnel.	Junior/middle management with significant discretion for sales personnel	Needs to be part of a company-wide initiative to build value into all parts of the business
Ease of escalation	Quick and easy with most data available in-house	Relatively quick and easy, but sometimes competitive prices are difficult to unearth, and judging the correct	More complicated because it requires detailed information about how the product or services affect the buyer's

		position may be unreliable	value chain economically and how it affects decision-makers and users emotionally
Selling Skills	Basic order taking and some transactional	Transactional but requires a reasonable knowledge of competitors' prices and relative performance	Demands the highest level of development of selling skills and negotiation skills of a very high order, possibly leveraged by a team approach
Value capture	Limited or now for the vendor, with the customer enjoying excessive consumer surplus	Limited or now for the vendor, with the customer enjoying excessive consumer surplus	Complete or as well as our salespeople can negotiate based on an analysis of the client's value-adding processes and how we can enhance them

2.4 VBP IN CHANNEL PARTNER PRICING

The role channel partner plays in pricing, and competitive advantages in the context of GLOBAL data connectivity services are underdeveloped as most of the research is being conducted within the traditional context of manufacturing and distribution of hardware. Despite the vital role channel partner has on VBP and revenue generation, it has received limited attention in the marketing literature (Kotler and Armstrong 2004, Hollensen 2004). Thus, I will be picking up the relevancy from these researches and their possible application to global data connectivity services.

In the context of international data services, companies can sell their services directly to end customers/clients or via channel partners (Nesse, Svaet, et al. 2013). Channel partners can be classified as external stakeholders and can be an important agent in a company's VBP journey. In

the ICT sector, channel partners are an essential part of the value delivery process and is an important stakeholder in the pricing arithmetic (Finnie, Lewis et al. 2003, Macdivitt and Wilkinson 2012, Roine., Sainio et al. 2012). According to Macdivitt and Wilkinson (2012), channel partners can influence pricing decisions as they can provide valuable competitive pricing information. Many ICT/ telecommunication companies like ABC, work through channels partners to tap into the inaccessible market (Roine, Sainio, et al. 2012).

Like direct customers, channel partners can be a valuable source for potential bid information. With active channel partner engagement, account managers can create awareness of the firm's product/ services and assure that they are a credible network provider in advance of the next potential tender (Macdivitt and Wilkinson 2012). Furthermore, channel partners can be an excellent source for pricing feedbacks, allowing the company to adjust its value proposition against the next best alternative (Lewis 2012, Macdivitt and Wilkinson 2012). Thus, this feedback given by channel partners can be a valuable information asset (Oppenheim 1998, Moody and Walsh 1999) that provides the necessary competitive information (Shaw 1991) and market intelligence (Entsua-Mensah 1996).

When integrating VBP in channel partner pricing, there is often an element of negotiation (Figure 4 in section 2.3.2). This is because there is a perceived reference price in the channel partner's mind and is often lower than the value-based price the seller offers him/her. The salesperson engaging with the channel partners must have the ability to convince the channel partner of the economic attractiveness of the value-based offer (Nissilä, 2015, Macdivitt and Wilkinson 2012).

Therefore, the final negotiated price between the sales and channel partners will lie somewhere in the negotiation corridor between the reference price and the maximum VBP (Figure 4 in section 2.3.2). Where the price level lies will depend on the sales person's advocacy skills and the channel partner's budget, determination to achieve the best deal, and its ability to use his/her sources of information to counter the sales person's arguments (Nissilä, 2015, Macdivitt and Wilkinson 2012). The objective in channel pricing is to achieve a win-win situation between the salesperson and the channel partners. This can be done by establishing openness and cooperation between the salesperson and the channel partner in reaching an agreement on the solution to be deployed and how this translates into a downstream benefit for both parties (Nissilä, 2015, Macdivitt and Wilkinson 2012).

2.5 PRICING EMPOWERMENT

Pricing empowerment, when deployed effectively, can facilitate faster evaluation of pricing decisions (Ford and Dennis 2010). However, it is important to note that the pricing empowerment studies about global data services are limited. Thus, I would be seeking relevancy from studies conducted within the hospitality as well as the food and beverage industry. Pricing literature had indicated that before pricing empowerment can be useful, firms must have an effective pricing system with the capability that helps monitor customer response to changing price offers. Combined with the information assets (Oppenheim 1998, Moody and Walsh 1999) provided by sales and pricing personnel will allow firms to develop a clearer understanding of customer motivations towards purchasing a product (Ford and Dennis 2010). Thus, to optimise revenue through VBP, successful pricing empowerment will require a collaborative effort across the different departments (Jayawardena, Horsfield, et al. 201, Macdivitt and Wilkinson 2012).

Effective pricing empowerment will strengthen a firm's competitive advantage because 1) it allows sales personnel to meet more customer and potentially close more deals, 2) an improved transaction speed in deal negotiations will minimise the time in which customer can change their mind or search for an alternative and 3) help increase sales personnel job satisfaction (Gill 2002, Nelson 2003, Magnini and Gaskins 2006).

Despite these critical advantages, there were also arguments against the delegation of pricing empowerment. Firstly, sales personnel may feel compelled to reduce the price as a safety precaution to secure the deal. This might result in "sub-optimal tradeoffs between price and effort" (Joseph, 2001). Secondly, giving pricing empowerment to sales personnel might result in inconsistent behaviour across business segments. For example, a customer might find out that a discount is given to a client with a similar profile as them, thus demanding a similar discount before a deal can be closed (Dolan and Herman, 1996). Thirdly, poor execution of pricing empowerment in terms of discretionary discounts might result in customer dissatisfaction or resentment if they are to discover price discrepancies after deal closure.

Additionally, by providing price empowerment to sales manager may limit the extent of optimal pricing being practice because it required analysis of various elements that were unfamiliar to the sales personnel (Dolan and Herman,1996). For example, the deployment of global data services has a unique cost structure that involves many variables (for example, technology deploy, service management fees, partnership cost, alternate offerings, as well as set up costs). If the sales personnel have limited knowledge of the cost structure that goes behind the deployment of global

data service, it can be argued that the price adjustment made by the sales personnel was being executed without vital information.

Lastly, pricing empowerment could impact the sales personnel prospecting efforts. According to Joseph (2001), diminished prospecting activities were a result of the fact that pricing empowerment had led to an uneven focus on high-valuation clients. Although high-value customers are advantages, such askew prospecting pattern can be detrimental to global data services when there is excess bandwidth capacity in a given cable route. In such a scenario, it will be optimal for firms to fill up excess bandwidth capacity with less-profitable customers.

After evaluating the advantages and disadvantages of pricing empowerment, it will be important to assess the forms of pricing empowerment that can be used in global data connectivity services. According to Magnini and Gaskins (2006), pricing empowerment can be done across a continuum of alternatives; that ranges from no pricing empowerment to complete pricing empowerment, with a spectrum of limited authority scenarios lying in between. Figure 6 shows the pricing empowerment continuum that can be used in the context of international data services.

Figure 6: Pricing Empowerment Continuum

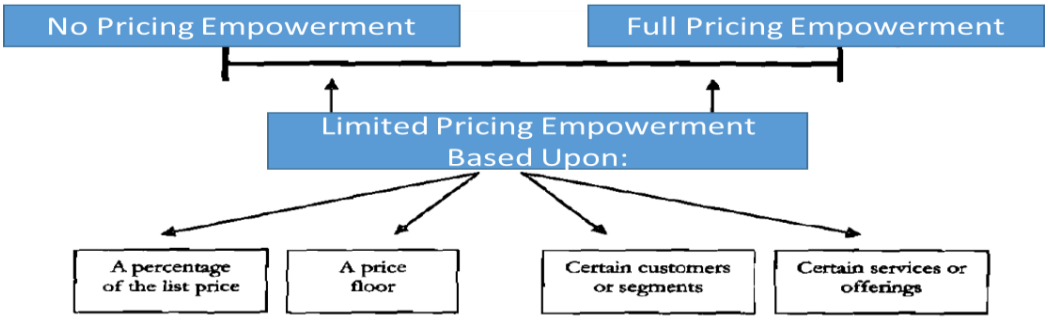
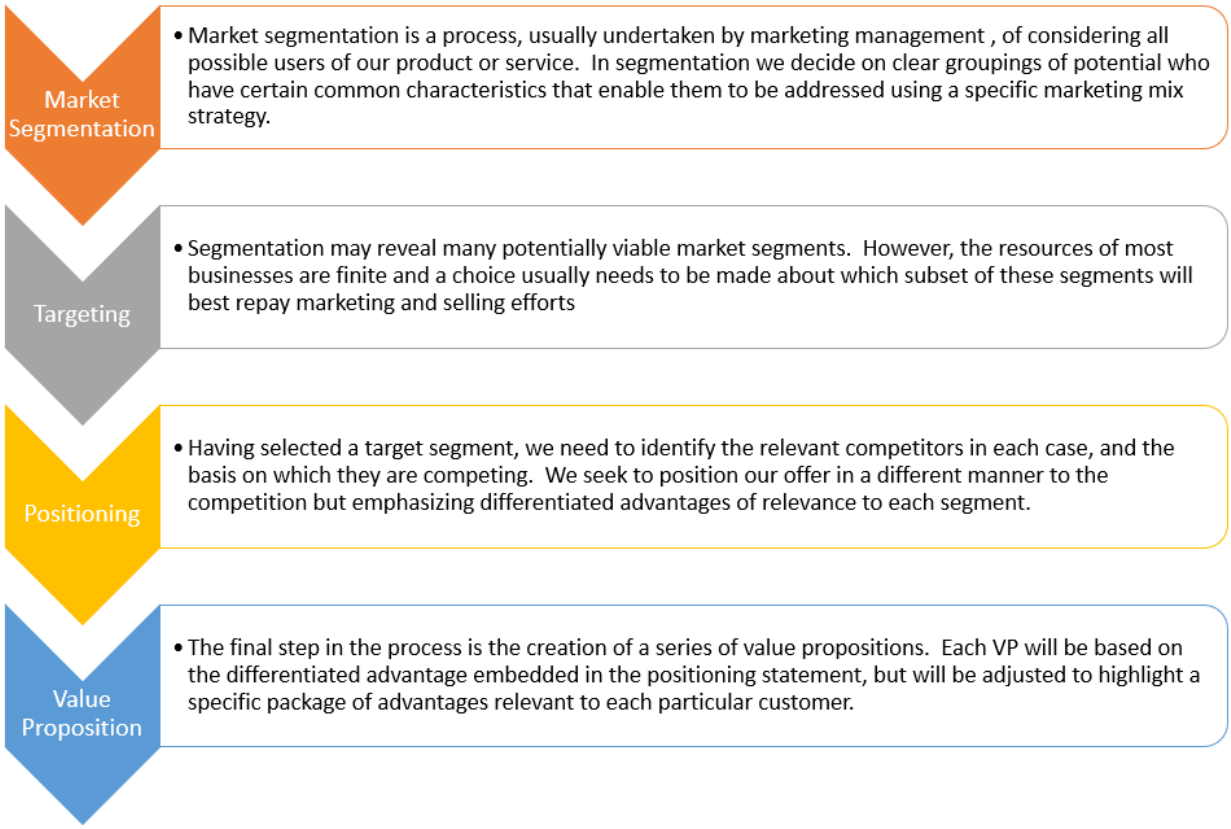


Figure 5 shows four different pricing empowerment scenarios. Pricing empowerment will be minimum if pricing empowerment is based on a discount off the list price, salespeople might be entitled to give 10% off the list price, and a higher discount would require the salesperson to seek higher management approval. Alternatively, firms can also provide a floor price to sales personnel. From a global data services perspective, floor price can be offered based on geography or cable routes (for example, Hong Kong to the UK). Price empowerment can also be allocated based on customer profiles or segments (for example, the healthcare industry, government, or manufacturing). Additionally, it can also be assigned based on the geographical segment. Lastly, pricing empowerment can also be allocated according to a service offering, for example, giving more empowerment to IPVPN and lower empowerment to E-line.

According to Macdivitt and Wilkinson 2012, effective integration of segmentation into VBP will require close cooperation among sales, marketing, and product management before proper segmentation, targeting, and positioning can be developed. Figure 6 below illustrates Segmentation, Targeting, positioning, and VBP. In a technology-based firm like ABC, it might

also be valuable to include engineering people to gain the broadest possible perspective on the issues.

Figure 7: Segmentation, Targeting, Positioning (STP) and the Value Proposition (VP)



Based on Figure 7, it is essential to define the segments we wish to target before VBP can be implemented. This is because customers from different industries or countries might exhibit a variety of price-quality combinations and performance expectations of ABC's international data connectivity services.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter is assigned to the methodology that was used in my research inquiry. Participatory action research was being used to conduct my study because it was an appropriate method in managing change within existing and ongoing practices in ABC. According to Baskerville and Myers (2004), action research can be a relevant clinical method that can be used by a company to create organisational change and solving practical problems through research. My study aims to provide an account of how the implementation of VBP in the channel partner program and pricing empowerment can be used to change stakeholders' behaviour. This is because action research is a methodology that encourages involvement, where the researcher has direct participation in the organisation's change action plan.

My ontological position of subjectivism and epistemological stance of interpretivism had influenced the choice of research methodology adopted in my study. The inductive approach used in action research was aligned with my ontological and epistemological position. I had used both qualitative and quantitative data in my action research project. Both qualitative and quantitative data are complementary to one another as the interpretation of both forms of data can help validate and triangulate the results of my action research. If used effectively, the data collected, and insights generated in these ways, particularly with customer involvement and support will be difficult to challenge rationally (Clark and Creswell 2011). I believed that the use of both qualitative and quantitative data could help formulate the appropriate price strategy. The action research will focus on addressing the below-mentioned research question:

How does the implementation of VBP in channel pricing and pricing empowerment help strengthen ABC's competitive advantage?

I will begin this chapter with a discussion of the research perspectives and philosophy of my research inquiry, followed by the research design and data collection process used in my study. Validity, reliability, and generalizability will also be addressed in this section.

3.2 RESEARCH PERSPECTIVE AND PHILOSOPHY

One of the most effective ways to classify the research method was to understand the underlying philosophical assumption that guided my research inquiry (Hindelang and Hedrich 2014). One of the most prominent philosophical assumptions in action research was related to epistemology (Tracy 2012). Epistemology can be defined as "the theory of knowledge, especially with regard to its methods, validity, and scope" (Faran and Wijnhoven 2012, p. 497). Since knowledge is an accumulation of experience, it can be subjected to different interpretations (Patton 2002). Most importantly, the research was on VBP, which requires the interpretation of customers' perceived value of ABC's global data connectivity services had made action research an appropriate methodology. Therefore, given the fluid nature of epistemology in action research, I will be able to integrate my beliefs and assumptions into my research study (Myers 2013). By doing so, I will be able to provide a clear indication that it is "the orientation of human researcher that generate particular forms of knowledge" and not the research methods itself (Morgan and Smircich 1980, p. 499).

Epistemology was a valid form of knowledge because it had a significant influence on how I understood VBP and how I communicated this understanding as knowledge to the stakeholders involved in the action research study (dos Santos and Miura 2012). Since knowledge is a social construct, it can be interpreted that when I embarked on my research inquiries, I can be influenced by my views of reality (Lewis, Thornhill et al. 2007, Gibbs 2015). This view of reality is also known as ontology (Saunders 2011). Since the binding relationship between epistemology (nature of knowledge) and ontology (views of reality) (Scott 2014) had influenced the way I conducted my action research inquiries (Morgan and Smircich 1980), there will be a need to discuss the research philosophy that underlined the research design of my action research study. Casey and Waring (2014), following Orlikowski and Baroudi (1991) and Chua (1986), had indicated three common underlying philosophical assumptions, namely, 1) positivist, 2) interpretive, and 3) critical. This three-fold classification had been used in various qualitative research epistemologies (Myers 2013).

According to Myers (2013), positivism was the most dominant form of research in many business and management related studies and thus a familiar research style for many business and management scholars. Positivist orientation assumes that reality can be observed objectively, is stable and measurable (Merriam and Tisdell 2015). In their attempt to test a theory, positivist researchers try to raise the predictive understanding of phenomena (Myers 2013, Merriam and Tisdell 2015). By doing so, positivist researchers tend to "seeks unity in science…and asserts that there are no fundamental methodological differences between natural and social sciences" (Patton 2002, p. 92). Thus, positivist researchers seek to formulate formal propositions about a

phenomenon through quantifiable measurements of variables and thesis testing (Orlikowski and Baroudi 1991, London and Hart 2004).

Unlike positivist research, interpretive research was less common but is fast gaining ground (Myers 2013). Interpretive researchers assume that reality is a social construct and thus do not have predefined independent and dependent variables, but instead focus on recognising the meaning and beliefs of the participants in a given context and how these meaning influence their behaviours (Maxwell 2012, Myers 2013). Through continuous social enactment, interpretive researchers will have a greater understanding of the complexity of human sense-making. Being a participant in action rather than being an observer allows the researcher to have a richer understanding of social realities (Saunders 2011). This form of subjective ontological perspective can also be described as double hermeneutic (Tomkins and Eatough 2014), where interpretive researchers are "'subjects' and are just as much interpreters of social situations as the people studied" (Myers 2013, p. 39).

Besides positivism and interpretivism, critical research being a much less common form of research has been gaining ground in business and management disciplines (Myers 2013). Like interpretive research, critical research recognises the subject-subject relationship, but it is also an approach that investigates conflict and oppression as well as challenging the status quo that might otherwise be overlooked by the subjects themselves (Crotty 1998). Thus, researchers who adopted critical approach usually frame their research questions within the context of power in the form of

"who has it, how it's negotiated, what structures in society reinforce the current distribution of power, and so on" (Merriam and Tisdell 2015, p. 10).

Thus, in my action research study, I will be taking an epistemological position of interpretive paradigm. This was because interpretivism corresponded with the aims of my research inquiry of implementing VBP in channel pricing and pricing empowerment as well as its relationship in strengthening ABC's competitive advantage based on the experience and knowledge gathered from my interaction with the participants in the action research project. By doing so, social reality can be better understood through a subject-subject viewpoint (double hermeneutic) and thus putting me in a better position to make sense of the participant's' behaviours, motives, actions, and intentions in a more meaningful manner (Maxwell 2012, Myers 2013, Merriam and Tisdell 2015).

Interpretivism had required me to adopt an insider perspective of social reality; it will be important to highlight my role as a researcher in this section as well. In my research study, the insider perspective was further enhanced as I am an employee of ABC. I held the position of senior pricing manager at ABC and managed the pricing deployment work in the company. Besides, I also had reporting duties and oversaw the channel pricing strategies of ABC. Being a Senior Pricing Manager had given me access to information that was critical to this action research study, and the experience accumulated over four years had given me a good understanding of the context. Being a research participant had enabled me to have an empathic view of the stakeholders' view involved in the action research (Saunders 2011) and thus had contributed to a greater

understanding of the relationship between VBP, channel pricing, pricing empowerment, and competitive advantage.

3.3 RESEARCH DESIGN

In this section, I seek to justify the appropriate research design used in my action research study. Research design provides an overall plan on how the research questions will be answered (Saunders 2011) and how evidence about the research inquiry will be obtained (Creswell 2013). This section will start with the discussion on the purpose of the study, an approach to determine the action research project and action plans, the data collection process, and the participants in the research inquiry.

3.3.1 Purpose of the Study

The primary purpose of my action research study was to provide perspectives and contribute to the discussion on how VBP can be implemented in channel pricing and pricing empowerment in ABC's global data connectivity services business. It also served to explain why VBP was the appropriate pricing strategy for ABC to strengthen its competitive advantage. There were three primary purposes for conducting my research inquiry, namely, exploratory, descriptive, and explanatory (Saunders 2011, Creswell 2013).

Exploratory research seeks to clarify the nature of the social phenomenon through the active listening of participants' views and to establish new insights based on what is heard (Creswell 2013). Exploratory research had provided me with the flexibility to change my research direction

based on the extrication of new insights during the research inquiry process (Zikmund, Babin, et al. 2012). The flexibility of exploratory research does not equate to a lack of direction. Instead, it provided a guide for me to refine my research effort as the research progresses (Adams and Schvaneveldt 1991, Zikmund, Babin, et al. 2012). According to Gray (2013), after establishing the focus of the action research study, it will be possible to conduct explanatory research.

In contrast, the descriptive research seeks to describe the characteristic of events, people, the situation, objects, or environments (Robson 2002, Zikmund, Babin, et al. 2012). Although critics had dismissed descriptive research for being overly simplistic and descriptive (Robson 2002), it cannot be denied that it provided a fundamental pool of knowledge on what shapes social reality by asking "what" kinds of questions (Zikmund, Babin, et al. 2012, p.53). By doing so, it had allowed me to develop a firm awareness of the situation being studied, which in turn promotes the conduct of exploratory research as well as directing the study toward specific issues (Robson 2002, Zikmund, Babin, et al. 2012). Lastly, explanatory research can be used to test a theory, develop casual relationships between variables or to compare theories (Zikmund, Babin, et al. 2012, Myers 2013). While descriptive research asks the "what" questions, the explanatory research asks the "why" and "how" questions (Gray 2013). According to Gray (2013), the difference between explanatory and descriptive research applies equally to both qualitative and quantitative research.

My action research study was descriptive, exploratory, and explanatory because it investigated different issues faced by ABC that need to be addressed by various projects. For example, the approach to the implementation of VBP in channel pricing and pricing empower would be

different. This was because what was suitable for the channel partner pricing might not apply to price empowerment. My action research study was descriptive because it attempted to 'draw a picture' based on the participants' experience in a given situation (Robson 2002). It was also exploratory because it explored the insights behind the implementation of VBP in ABC's channel pricing and pricing empowerment project. Lastly, it was explanatory because the action research study also looked into the development of a possible relationship among variables:

H_1: VBP leads to better channel partner pricing outcome

H_2: VBP can lead to better pricing empowerment framework

H_3: VBP can help strengthen a firm's competitive advantage

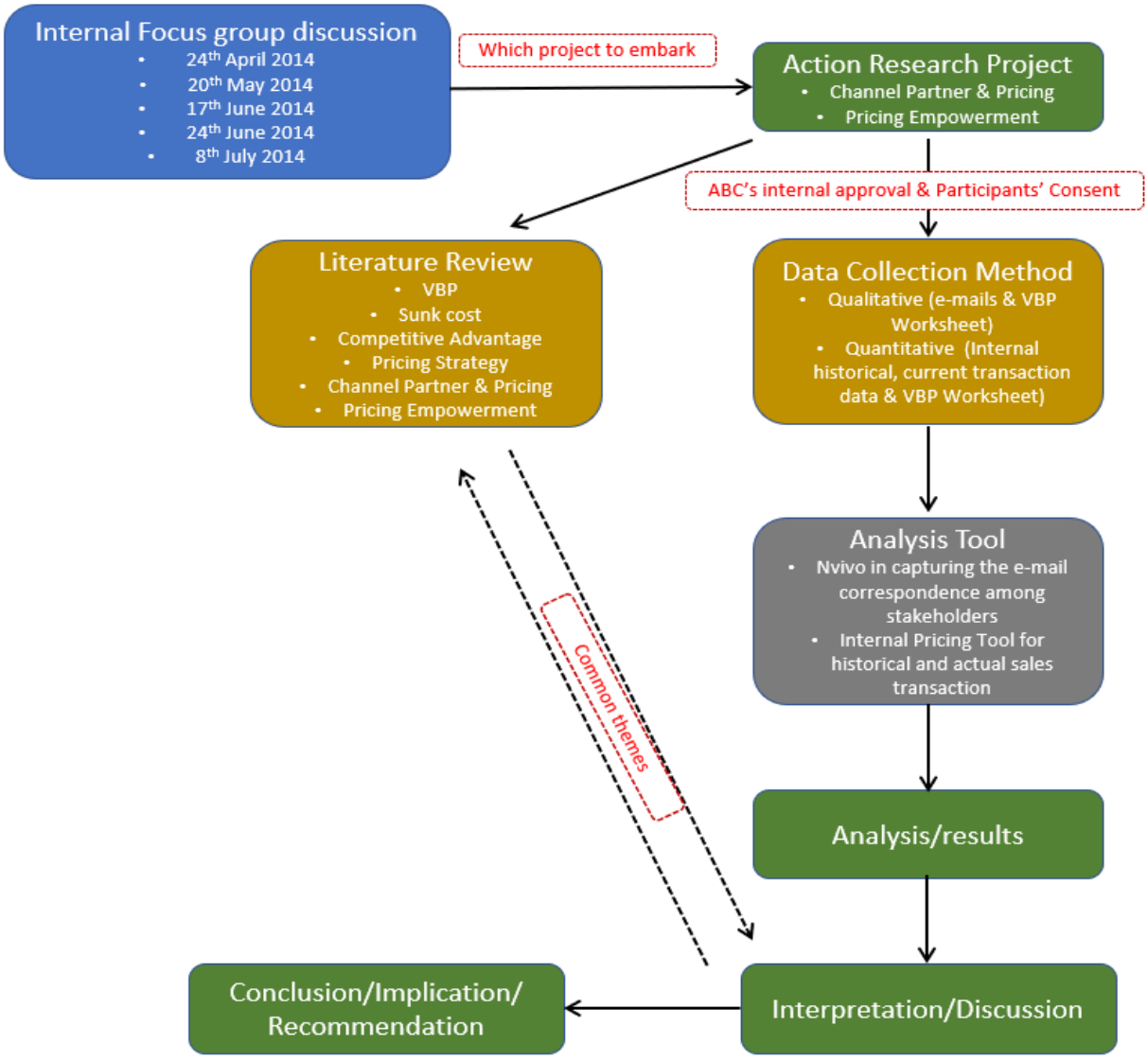
3.3.2 Research Strategy

To determine which action research projects to undertake in ABC, I had drafted a research strategic plan to determine the research method, the scope of action research project and literature review to be conducted. The action research journey started with five internal focus group discussions to identify action projects to be undertaken. The research strategic plan also indicated the tools and methods that would be used in my action research project. Figure 8 provides an overview of the research strategic plan. In the next section, I will discuss in detail the information collection process of my action research project.

3.3.3 Information Collection Methods

Four information collection methods were used to collect the research data: (1) focus group, (2) VBP worksheet, (3) E-mails, and (4) internal historical and current sales transaction data. In this section, I will discuss in detail these four methods of information collection that were used in my action research projects.

Figure 8: Research Strategic Plan



Focus Group

I had used focus groups to determine the pricing strategy related issue faced by ABC and to determine which action research project to embark on to address the gap identified in ABC's pricing strategy. A total of five focus group sessions were organised to understand ABC's current pricing strategy scenarios. According to Kleiber (2004), a focus group should consist of seven to twelve people. Participants will spend a minimum of an hour or so to discuss a specific topic. A productive discussion should contain five to six general questions related to the subject of interest. The focus group was being facilitated by me. Although the focus group was held in an office setting, it was being conducted informally to establish rapport, gain trust, and facilitate communication. The style of the focus group was casual and relaxed, as this will minimise any gulf between facilitator and participants (O'Leary 2017). The focus group was semi-structured, as this will allow me to come away with all the data I intended and allowed unexpected data to emerge. I will provide an in-depth discussion of the focus group session in the analysis/results chapters.

VBP Worksheet

During the channel partner program/pricing negotiation, VBP worksheets were being used as it enabled me to capture the relevant data that was necessary for VBP (Macdivitt and Wilkinson 2012). Table 2 provides a generic VBP worksheet that was used during my discussion and negotiation with the channel partners and internal stakeholders. The VBP worksheet must be interpreted from a channel partner's perspective. The pricing manager involved in the price negotiation with the channel partners will derive the VBP within the negotiation corridor (the price

point between maximum economic channel partner contract price and minimum economic channel partner contract price). The details of the worksheet will be further elaborated under the analysis/results chapters.

Table 2: Generic VBP Worksheet

Product/Services	*This section is used to indicate the type of international data connectivity services that ABC will be deploying for the channel partner*	
Scenario	*In this section, ABC will estimate the total value delivered to the channel partners. The selected scenario must objectively facilitate ABC's VBP calculation and must be a scenario that can be used to persuade the channel partners and influence their perceived value and buying decision. The scenario must be one with which the channel partner can identify with.*	
Customer/Client	*Name of channel partners*	
Date	*Date on which the negotiation with the channel partners take place*	
Value Triad Element	**ABC Solution**	**Comments**
Emotional Contribution (EC)		*Add up the cash value of all quantifiable intangible benefits. In practice, quantifying intangible benefits can be difficult, but ABC should aspire to capture them in this worksheet because they can be an important persuader during face-face negotiation with the channel partners.*
Total EC		
Add: Revenue gains		Calculate the readily measured gains that the channel partner will be getting when using ABC international data connectivity services (e.g., increased revenue)
Less: Revenue loss		Less losses incurred by channel partners when they use ABC international data connectivity services (e.g., cannibalization).
Total Net Revenue Gains (NRG)		Net cash value of all benefits in the scenario
Add: Cost Reduction		Ways in which ABC international data connectivity services reduce channel partner's cost. These need to be quantified objectively.
Less: Cost increase		Ways in which ABC international data connectivity services increase channel partners' cost. These need to be quantified objectively.
Total Net Cost Reduction (NCR)		Net cash value of all cost savings

Total Added Value		**EC + NRG + NCR**
Possible Competitor Price or Alternative Product Price (Reference Price - RP)		Total contract/Channel Price of a competitor or alternative product (e.g., Internet Solution).
Maximum Economic Channel Partner Contract Price		**RP + EC + NRG + NCR**
Minimum Economic Channel Partner Contract Price		**RP or cost-plus pricing or market-based price**

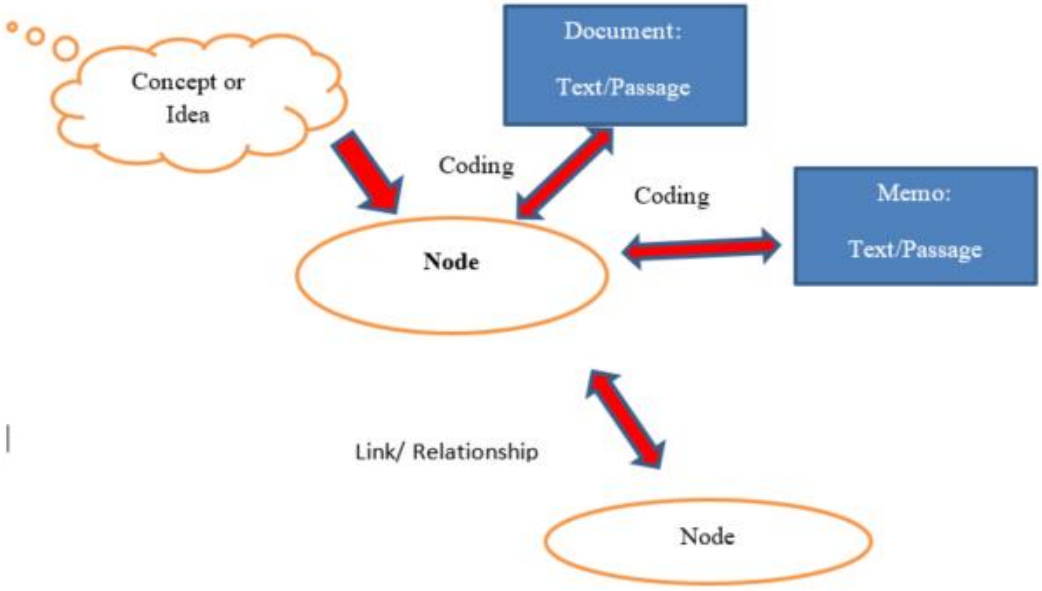
E-mails

Most of the engagement records of the channel partner pricing program were captured in e-mails. One potential advantage of e-mails was that they contain a timestamp, subject headings, and recipient and sender details that were useful for data analysis. Furthermore, the verbatim in these e-mails' correspondences had provided insights that are critical to VBP and thus can be used in conjunction with the VBP worksheet. Additionally, the "Clean Up Conversation" function found in outlook can also help improve the reliability of the data as it allows the removal of redundant and repetitive correspondences. Once these e-mails were cleaned, it was then chronologically imported into Nvivo.

Nvivo is a useful software for analyzing rich text-based information because it has the ability to organise documents into different folders in accordance with their usage and content, thus allowing the integration of literature and data in a more efficient manner (Ishak and Bakar 2012). Additionally, Nvivo also can facilitate the population of themes via its text passage coding function, and this can be done by linking various parts of the text to a specific concept (Noble, Kelly, et al. 2013). The developed themes that are being populated in my study are presented by nodes. According to Gibbs (2008), other than categorization of the passage of text, the nodes

created had allowed me to focus on the thought process and its interpretations of the coded text. Figure 9 shows the relationship between coding and nodes.

Figure 9: Relationship Between Coding and Nodes



Source: Gibbs 2008

Internal Historical and Current Sales Transaction data

ABC's internal historical and current sales transaction data were the main form of quantitative data used in my action research projects. Internal historical data on pricing was a good starting point to determine which channel partner account ABC wish to establish a sustainable collaborative working relationship based on revenue contribution or strategic importance. Most importantly, it provided win-loss data that was relevant for determining the right reference price during the VBP

negotiation with the channel partners. Additionally, these historical data provided critical information like margin and revenue contributed by each customer; this data can help ABC establish better pricing empowerment through price segmentation by geography or industry. Current sales transacted data was also used to help me determine the effectiveness of my action research projects from an incremental revenue and profit maximisation perspective. These data, when used concurrently with the qualitative insights from the e-mail analysis, had further validated the findings and effectiveness of the action research project.

3.3.4 Ethical Concerns in Data Collection Method and Sampling

As mentioned in section 3.3.4, I had relied on four data collection methods, namely focus group, VBP worksheet, e-mails, and historical and current sales transaction records. There were some ethical concerns when it comes to managing these data. For example, I would need to ensure that identifiers, such as names of personnel, company names, and addresses were anonymised.

I had used a purposive sampling technique (Topp, Barker, et al. 2004) to identify the participants in my action research project. When developing a purposive sample, I relied on my expertise about some groups to select participants that played a pivotal role in influencing ABC's pricing strategy. Stakeholders involved in the action research projects were employees or partners that had a direct influence on pricing strategy, the numbers of stakeholders were split into the following groupings based on activities (Table 3).

Table 3: Sampling based on Activities

Activities	Participants	Total Number of Participants
Focus Group	• 1 Head of Department (Director – Bid Management) • 1 Pricing Director, • 2 x Associate Directors (Bid Commercial) • 2 x Senior Pricing Managers • 3 x Pricing Managers • 3 x Bid Commercial Managers	12
Channel Partner Pricing Program	• 1 Managing Director • 1 VP Marketing • 2 x VP Product • 4 x Regional Director • 1 Pricing Director • 1 Global Marketing Director • 1 Business Development Director • 1 Associate Director (Product) • 1 Associate Director (Channel Sales) • 1 x Senior Pricing Manager • 3 x Channel Sales Manager • 2 x Product Manager • 1 Pricing Manager • 3 x Channel Partner	20
Pricing Empowerment	• 1 Pricing Director • 2 Senior Pricing Manager • 1 Pricing Process Manager • 7 Pricing Manager	11
Total Number of Participants		43

A participant consent form (Appendix 1) and information sheet (Appendix 2) were distributed to these stakeholders, upon their consent, the data shared through discussion and e-mails would be used in my action research project. When stakeholders provided their consent, they understood that their participation was voluntary and that they were free to withdraw at any time without giving any reason, without their rights being affected. Besides, should the participants opposed to answering any question, they were free to decline. Under the National Personal Data and Protection Act, stakeholders have the right to gain access to the information they had provided.

3.4 VALIDITY AND RELIABILITY

For my action research projects, I am interested in exploring how VBP can be integrated into ABC's channel partner pricing program and pricing empowerment and how these two projects can eventually help enhanced ABC's overall competitive advantage. Action research was being used in my evaluation and intervention work for these projects, where both qualitative and quantitative data were used. According to Greenwood and Levin (2000, p. 96), "validity and reliability of action research should be measured by the willingness of its stakeholders to act on the action plan of the action research, where the stakeholders risk their welfare on the "validity" of their ideas and the degree to which the outcomes meet their expectations." Thus, the claim of validity and reliability should, therefore, center around the feasibility of the "actual social change activity engaged in, and the test is whether or not the actual solution to a problem arrived at solves the problem" (Greenwood and Levin 2000, p. 96). I will address the issue of validity and reliability in the following section.

3.4.1 Validity

Both historical and current sales transaction records were used to evaluate the effectiveness of the channel partner pricing program. The current sales transaction records provided an indication of the effectiveness of the channel partner pricing program based on the current win rate against the historical win rate. Furthermore, these records had also provided evidence of the success of the channel partner pricing program, and this was done by measuring the revenue upside after the implementation of the program. Used in conjunction with the qualitative and quantitative data

found in both e-mail and VBP worksheet of the channel partner pricing program had allowed the strengthening of internal validity via triangulation (Zohrabi 2013, Merriam and Tisdell 2015).

In addition to triangulation, internal validity was enhanced further via the collaborative nature of action research, which allowed the participants to be involved in all phases of the inquiry (Greenwood and Levin 2000, Zohrabi 2013, Merriam and Tisdell 2015). The participants varied perspectives and ideas were constructive and useful in the evaluation of the effectiveness of the channel partner engagement program. Additionally, the utility criterion can be added to improve the validity of my action research effectiveness. According to Lynch (1996, p. 63), "Utility refers to the degree of usefulness the evaluation findings have for administrators, managers, and other stakeholders." The findings from the action research will allow management to allocate the required resources base on the effective outcome of the channel partner pricing program. It could facilitate channel sales and the management team in forecasting the growth of the channel partner pricing program.

As for the pricing empower study, I had relied solely on quantitative data. Historical pricing records that showcased the margin of all deals within six months were used. The validity of the pricing data had been counter checked by the pricing process manager and the pricing director. In addition to that, the data was also validated by each pricing managers monthly. This form of member checks enhances the plausibility and truthfulness of the information (Zohrabi 2013).

3.4.2 Reliability

According to Nunan (1992, p. 14), reliability can be defined as the consistency, dependability, and replicability of "the results obtained from a piece of research." It is relatively straightforward for quantitative research to achieve the same results, but the same cannot be said about qualitative research. As qualitative data were used in the channel partner pricing project, it can be subjective and narrative (Creswell, Shope, et al. 2006, Creswell 2013). Rather than striving to obtain the same results for qualitative research, I had aimed for dependability and consistency in my action research findings and results (Petty, Thomson et al. 2012, Wisdom, Cavaleri et al. 2012).

The reliability/dependability of my action research study was being strengthened through a clear explanation of the processes and phases of my action research inquiry. Furthermore, I have provided a clear justification for the study, the design of the study, and the participants of the action research. Additionally, triangulation was also used to validate the effectiveness of my action research. Lastly, I had also provided a clear audit trail on how the data were collected, the process in the categorisation of themes as well as how the results were obtained.

3.5 GENERALISABILITY

According to Merriam and Tisdell (2015), generalisability refers to the extent where the results of one study can be duplicated in other situations. There are two forms of generalisability, namely, statistical generalisability or analytical generalisability (Yin 2013). According to Yin (2013), statistical generalisability refers to the generalisation of a sample to a population, whereas analytical generalisability refers to the generalisation of theory. As my action research uses both

qualitative and quantitative data, the study will have an issue with statistical generalisation. This was because quantitative data used in my action research projects, which consist of pricing, margin, and costing records, are company-specific. Thus, the possibility of statistical generalisation will be small as different companies have different pricing strategies and cost structures. The aim of my action research project does not aim to achieve statistical generalisation but to expand the generalisation of theories. The generalization in my action research study is to provide detailed descriptions of the pricing strategy (VBP) adopted in ABC so that readers can make an informed choice of its suitability for their situations.

CHAPTER FOUR: DATA COLLECTION ANALYSIS & DISCUSSION

4.1 INTRODUCTION

In this chapter, I will discuss the actual process that was carried out during my action research inquiry. Firstly, I will explain in detail how the focus group had facilitated me in determining the two key action research projects to be undertaken. The data analysis section will be presented in two parts, namely channel partner pricing program and pricing empowerment. The data analysis about the channel partner pricing program presented the themes developed during the qualitative data coding process of e-mails and how it was integrated into the VBP worksheet to facilitate price negotiation with the channel partners. As for the data analysis about pricing empowerment, I will be describing the steps taken in promoting VBP in ABC pricing empowerment journey. Additionally, this section will also provide the steps taken to monitor the success rate of these two projects and how it improved the competitive advantage of ABC. Lastly, the reflection and reflexivity from the action research project will also be included in the discussion of this chapter.

4.2 DETERMINING WHICH ACTION RESEARCH PROJECTS TO UNDERTAKE

A total of five focus group sessions were being scheduled to determine which action research project to undertake. In this section, I will provide a detailed discussion on the topics that were being discussed in each of these focus group sessions. Table 4 provides a comprehensive overview of all the internal focus group discussions.

Table 4: Internal Focus Group Session and Scheduled

No:	Location	Date/Time	Agenda	Participants
1	Off-site location – Lunch discussion	24th April 2014 12:00PM to 2:00PM	Unlocking Profit Potential	1 Senior Pricing Manager, 3 pricing managers, 3 Bid Commercial Managers

In this session, the participants looked at the current pricing strategy adopted by ABC and which of these pricing strategies could help ABC maximise its profit potential. The below mentioned are the questions and participants' responses.

1. What are the most common pricing strategies used by ABS in pricing its international data connectivity services?

Ans: *Three common strategies had been identified, namely, 1) Cost-plus pricing and 2) Market-based Pricing.*

2. Based on Journey to World Class Pricing hierarchy (Professional pricing society, 2014), which level do you think ABC falls under and why?

Figure 10: World Class Pricing Hierarchy

Ans: *The participants had categorised ABC pricing process at level 2 because the current pricing strategy is limited to supporting the enforcement of price quotations from an ad hoc basis with limited empowerment to cater to the different customer base. The participants felt that ABC pricing data and insights were internally focused and had limited emphasis on value optimization*

3. In relation to question 1 and 2, please indicate the common scenarios where cost-plus and market-based pricing strategies are being used?

Ans: *According to the participants, Cost-plus pricing and market-based pricing are used to price ad-hoc pricing requests where there is less direct interaction with customers. Given the volume of cases on hand, these two pricing strategies are the most common as they are simple to implement. A cost-plus pricing strategy is being used when the customer is price sensitive. Market-based pricing will be used when we are quoting a single link and have visibility of the competitor price point. In bid tender, both cost-plus and market-based pricing will be used. This is to ensure that we are not the worst service provider when it comes to pricing. However, the participants do feel that to progress up the pricing hierarchy ladder, ABC should focus more on VBP which will allow us to strengthen our product differentiation. This is because in each bid tender requirement, pricing might not be the most critical criteria and the customer might place greater emphasis on network solution and resiliency. To facilitate VBP, the stakeholders felt that pricing managers should also be involved in the tender discussion.*

4. Which of these pricing strategies can help ABC unlock maximum profit potential?

Ans: *Unanimously the participants had indicated VBP as the most relevant pricing strategy that can help ABC capture the best profit outcome and move ABC up the pricing hierarchy However, the participants had stated that VBP is a tedious process that requires a lot of interaction with the customer and other internal stakeholders. To work within the resource constraint, the pricing team should identify accounts that are high revenue and margin generator. E.g., top 5 accounts in each country or by contract value.*

5. Besides pricing strategy, what other areas can the pricing team look at to help ABC maximise profit potential?

Ans: *The participants had highlighted that the 8% forex risk mark up and 5% general mark up on variable costs are way too high and might make ABC uncompetitive during bid tender. All mark-up can only be removed with the approval of the CEO or VP Product. These mark-ups would undermine the actual margin, especially if forex mark-up had already been taken into consideration in finance product costing.*

6. One of the participants had asked if channel partner/pricing and better pricing empowerment could help improve the overall profitability of ABC's international data connectivity services?

Ans: *The participants had indicated that the channel partner program might have the potential to help ABC expand its revenue stream in an untapped market, but a more detailed study would need to be run to evaluate the margin contribution of the channel partner program. Additionally, pricing empowerment with segmentation might enable the pricing team to identify high-value countries or high-value customers. These two projects might have the potential to integrate VBP in them.*

2	Caribbean Meeting Room	20th May 2014 4:30 PM to 5:30 PM	Managing Price Differentiation	1 Senior Pricing Manager, 3 pricing managers, 3 Bid Commercial Managers

In this session, the participants discussed how the pricing team could create differentiation through pricing. The below mentioned are the questions, and participants respond:

1. Should we have standard pricing for all customer/geographical segments?

Ans: *The participants had indicated there should be a fixed reference list price, with a floor margin for global data connectivity services. To differentiate the customer perceived value of the product, varying discounts can be given to each customer. Any pricing that falls below the company min margin guidelines 16% for IPVPN and 8% of both eline and IPLC would need to be escalated to higher management for approval. Therefore, customer segmentation might be the right approach to managing price differentiation.*

2. One of the participants had asked the following question, "Do you think that prices can be differentiated based on ABC's capacity on hand for some of its international data connectivity services?"

Ans: *The participants felt that this could be done depending on the supply of capacity in the market. For example, if Hong Kong to the UK via SMW4 cable has limited capacity and ABC is the only provider that can deploy this requirement. ABC will be in the position to offer a much higher price than the reference price.*

3. Related to question 2, if ABC is to implement a channel partner pricing program, a predetermined price book will need to be provided. In the event when there is limited capacity for specific submarine/terrestrial cable, how can ABC then differentiate its pricing to indicate that there is limited supply?

Ans: *Channel pricing is an effective way to help ABC gain access into an untapped market, and channel pricing should be lesser than the companywide floor margin as the partners would also need a min price mark-up at their end. Thus, each price book should have a standard term and condition to limit ABC obligation. Clauses such as "Subject to resource availability" can be indicated. In such a manner, the limited capacity can be reserved for direct customer/enterprise account at a higher price and margin. This seems to be usual practice in the telco/ICT sector.*

4. With regards to Focus Group session 1, which pricing strategy should ABC adopt to manage price differentiation?

Ans: *Unanimously, the participants had indicated VBP as the most relevant pricing strategy that can help ABC managed price differentiation as it is the best strategy to integrate customer perceived value of ABC product in our pricing. However, VBP might require a dedicated resource to reap the benefit of profit maximisation. Thus, the participants feel that VBP can be*

limited to key or strategic accounts. This can be limited to the top five accounts in each country by revenue.

5. What other product features can we indicate in ABC's pricing strategy to differentiate us from competitors?

Ans: *The participants feel that product attributes such as higher than average service level agreement can be emphasised with proof of our network resiliency. For example, competitors might offer 99.5% network availability, but ABC standard offering is around 99.9% network availability. This is a critical factor that is being considered by the customers in the entertainment and banking industry where network uptime is critical. Depending on customer location, ABC also has good satellite investment, allowing reachability to a location with poor cable and fibre infrastructure. Additionally, value-added services like cybersecurity solutions in global data connectivity services can also be emphasized to give customers peace of mind.*

3	Caribbean Meeting Room	17th June 2014 2:00PM to 3:00PM	Review presentation slides from Focus Group Session 1 and 2	1 Senior Pricing Manager, 3 pricing managers, 3 Bid Commercial Managers

In this session, the participants are not involved in any discussion; the team took this opportunity to run through the questions and topics discussed in focus group session 1 and 2. Consolidate the discussion point into one single slide.

4	Caribbean Meeting Room	24th June 2014 11:00PM to 12:00PM	Review Action Plans and Ownership and finalization pricing presentation slides	1 Senior Pricing Manager, 3 pricing managers, 3 Bid Commercial Managers

In this session, the team review the consolidated slides done in session 3 and discuss the Action Plans and ownership in helping ABC unlock profit maximisation opportunity and managed price differentiation. As I am working on my DBA, I will be the owner of the eventual projects. In this session, the team list down the possible projects that the pricing team can embark on:

1. Channel Partner/Pricing Program: The team would need to review the accounts that are critical for ABC. These projects would require collaboration from the product team, channel sales, pricing manager, and channel partners. If this project is to be implemented, I would need to review the possibility of integrating VBP in the channel program so that the value of ABC global connectivity data services can be protected. As services render to channel partners might have lesser variable cost incurred, e.g., Non-Network cost such as equipment cost can be removed (channel partners usually used their equipment to breakdown the cable bandwidth into smaller bandwidth). Customised Variable Cost can be created with the approval from the product house to take into consideration the removal of Non-Network cost. The goal is to tap into a new revenue stream.

2. Pricing empowerment: Current floor pricing empowerment stands at 16% VC for IPVPN and 8% for both Eline and IPLC. Thus, this project is to look at the possibility of implementing VBP via pricing segmentation in ABC's pricing empowerment. If this project is to be implemented, I would need to review geographical segmentation to identify countries that are price sensitive and country that are less price sensitive. This project will require collaboration between the product house, pricing team, and sales personnel. The goal is to maximise ABC profit potential.

3. Forex Risk and Admin Cost mark up: There is a 13% cost mark up on variable cost. Of which 8% for forex and 5% on admin. The focus was to work with finance to see if the 8% forex risk can be removed from the pricing equation. This is because Finance might have taken into consideration the forex risk in their cost computation. Any additional mark-up will make ABC less competitive, and any removal of forex risk would need to be escalated to the CEO or VP product for approval. The goal of this project is to be more competitive in our pricing and improved operational efficiency. Stakeholders that are required in this project include Finance, Product house, and pricing managers.

5	Caribbean Meeting Room	8th July 2014 2:00PM to 3:00PM	Discussion and presentation to Bid Management Team on Agenda 4. Finalization of Action Items and Ownership	1 Head of Department (Director – Bid Management), 1 Pricing Director, 2 Associate Directors – Bid Commercial, 2 Senior Pricing Managers, 3 Pricing Managers and 3 Bid commercial Managers

In this session, the participants in session 1-4 present their action plans to the head of department bid management. This session aims to review possible projects that could help ABC be more competitive in the market and ways to maximise profit via VBP integration. Three potential projects were being highlighted in this session, namely channel partner/pricing program, pricing empowerment, and Forex Risk and Admin Cost mark-up review. Based on the discussion, the head of the department had suggested focussing on projects that the pricing team can directly influence and require fewer changes to business operation and SAP pricing tools. Thus, the head of the department had suggested removing Forex Risk and Admin Cost mark up project, as this will have an impact not just on global data connectivity services but on other business products as well, e.g., Managed Services and Cyber Security. As it involved more than one business unit, this review might need to be cleared by the management committee.

Thus, the head of the department felt that the team should focus on the Channel Partner/pricing program and Pricing Empowerment as these projects do not require any clearance from the management committee. Channel partner/pricing program was deemed an interesting project by the participants because it can have a direct impact on ABC revenue stream and help ABC expand its market presence via strong channel partnership. The CEO, VP Product, VP Marketing and VP Carrier Sales had plans to create a channel sales team to investigate

partnership expansion, and this project can be implemented along with the formation of the channel sales team. Pricing empowerment was also a critical project which the pricing team can embark on because it can help price differentiation among different customers from different countries. Country-specific empowerment can help expedite go-to-market price quotation and help ABC identified region that is less price sensitive. The Head of the department had also agreed that both projects could be account focus.

Thus, after the discussion, the team had agreed to embark on Channel Partner/Pricing Program and Pricing Empowerment project.

In focus group session five, 8th July 2014, the pricing team had agreed to embark on the channel partner/pricing program and the pricing empowerment projects. The detailed explanation for this decision was highlighted in Table 4 under focus group session five. Having concluded the two action research projects to be undertaken, I will be discussing in detail the channel partner pricing program and pricing empowerment project in the next section.

4.3 CHANNEL PARTNER PRICING PROGRAM

Based on the focus group feedback, besides direct sales, ABC can rely on channel partners to resell its global data connectivity services to widen its sales funnel and expand its upstream revenue opportunity (Pan 2010, Whaley and Walker 2012). To achieve these benefits, the channel sales team and pricing team would need to strengthen its engagement with the channel partners and allocate the necessary resource to support this initiative. Thus, to have an effective channel partner pricing program, ABC needed a change in mentality and discard the notion that channel partners were there to steal its business. The conflict between direct sales and channels can be mitigated through filtering, meaning ABC should establish a good reciprocal business relationship with quality channel partners. Quality channel partners can be classified as partners that provide useful

feedback on competitive pricing, brings in a steady inflow of revenue and help ABC expand its presence in untapped markets or accounts.

Before I embark on the channel partner pricing program, the pricing director would need to get an executive sponsor for the project; this was because the project requires resources from different departments. This was to ensure that the roles and responsibilities were clearly defined and to provide the necessary executive support to drive the channel partner pricing initiatives. Executive support is essential in cultivating an organisational culture that facilitates effective stakeholder engagement and cross-department collaboration before the economic benefit of the channel partner pricing program can be realised (Kerzner 2013, Brunke, Jonansson et al. 2014, Guesalaga, 2014).

On 11 July 2014, the pricing director submitted a formal request to spearhead the channel partner pricing program. The application was submitted to the Managing Director, VP Marketing, VP carrier sales, and VP Global Product. On 16 July 2014. The Managing Director, VP Marketing, VP Carrier Sales and VP Global established the project steering committee for the Channel Partner Pricing Program. In the steering committee, roles and responsibilities were established, and the required cross-department collaboration was also aligned within the various department heads. On 21 July 2014 and official communication was being sent out to the respective sales segment head, carrier sales department, global product, and marketing, indicating the roles and responsibilities of the stakeholders involved in the Channel Partner Pricing Program. Figure 11 provides a communication snippet from the Managing Director to the various department.

Figure 11: Communication Snippet from MD

Dear Team,

As part of ABC's efforts to strengthen our foundation for growth, drive transformation initiatives, and extend our industry leadership in the region, I am delighted to announce that we will be focusing on channel partnership to help us tap into previous inaccessible market. Thus, it is my pleasure to announce the following personnel who will be spearheading the project:

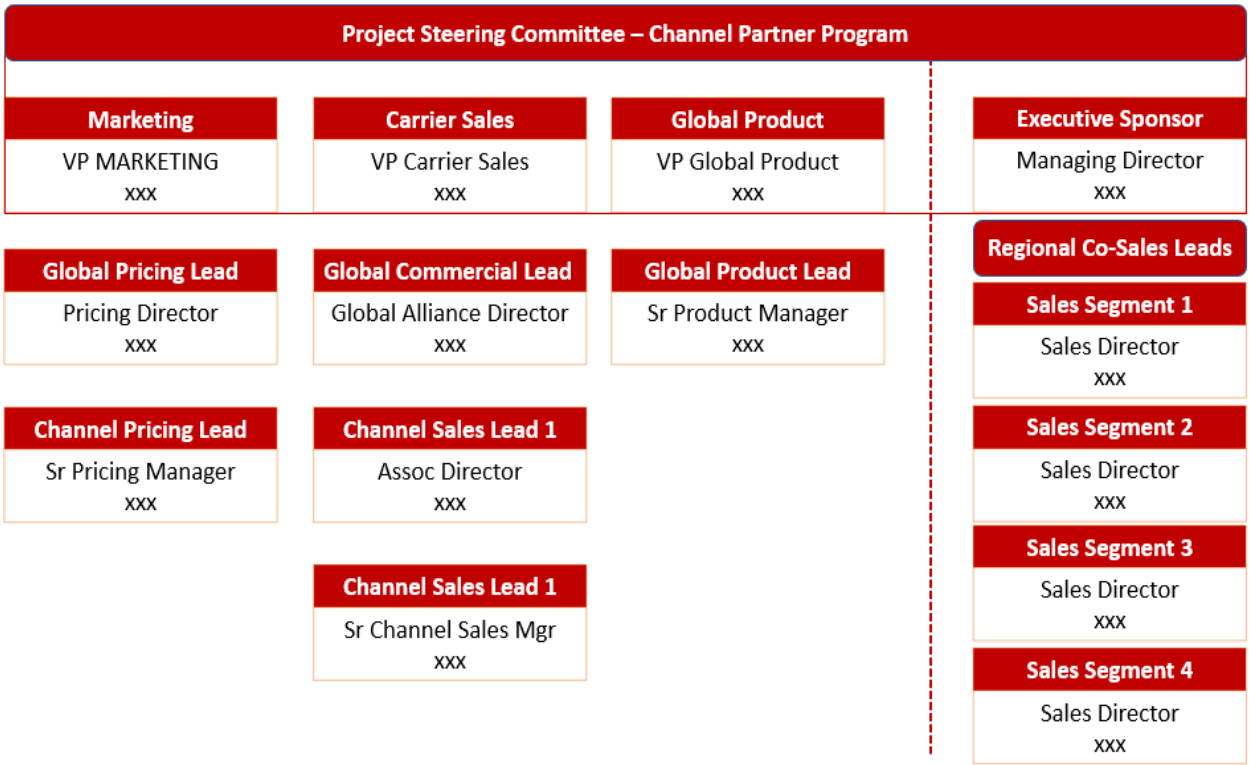
- ***Mxxxxx xxx**, who currently serve as Global Pricing Director, will be working closely **with Txx XXX XXX**, Global Alliance Director, to establish a pricing strategy engagement plan for strategic channel partners. **Xxxx** , Senior Pricing Manager, who reports to **Mxxxxx xxx**, will be the channel pricing lead*
- ***Txx XXX XXX**, has realigned existing headcount to take on channel sales portfolio. **Kxxx Cxxx** who is currently Assoc Direct, Global Marketing, will relinquish her current role and take on the role of Assoc Director, Channel Sales. **Jxxxxxx Txx**, who currently serve as Senior Market Development Manager, will relinquish his role and take on the role of Senior Channel Sales Manager. In an effort to drive greater traction, they will be working closely with the pricing and product team on customizing the appropriate contract price for the strategic channel partners.*
- ***Rxxxxxxx Txxx**, Senior Product Manager, will be supporting this initiative through product costing customisation to increase our channel sales profitability. He will be working closely with the pricing and channel sales team to identify key strategic routes that requires customised costing.*

At the same time, I have also tasked the various sales head to identify current account that can be converted to channel accounts. I am confident that with close collaboration both internally and externally, the channel partner program initiatives will make significant revenue contribution to the success of ABC, strongly support the team, and demonstrate commitment to out Mission.

Please join me in whishing them success.

XXX XXX XXX

Managing Director – Enterprise Business



4.3.1 Selection of Channel Partners

In the next section, I will briefly discuss the action taken to identify the strategic channel partner accounts. There were many channel partners in Asia and Europe, the channel sales team and I had limited the scope by reviewing channel partners that have no prior or limited working relationship with ABC. The definition of "limited working relationship" refers to channel partners who had less than 10 percent win rate. The formulation for the win rate is as follow:

$$\frac{\text{Total number of win cases}}{\text{Total number of quotations}}$$

To further minimised the number of channel partners, I had removed duplicated records by removing channel partners with unique Business Registration Number (BRN) but shared the same Parent Description (PARENTDESC), where pricing related information will be filtered by PARENTDESC than BRN (Figure 12). I was able to shrink down the list of channel partners from 146 to 31 by removing duplication and omitting channel partners with a win rate of less than 10%. Despite minimizing the list of channel partners, one fundamental question remains – "which channel partner should the channel sales, and I used to kick start the channel partner pricing program?" To answer this question, there was simply no hard and fast rule, but to make the action research more reliable, it will be more logical to engage channel partners that had an on-going pricing request with ABC. These on-going pricing request must be able to provide revenue potential of more than USD500 thousand in a single contract. In this section, I will give a detailed discussion of two case examples where the VBP worksheet was used to aid the team in pricing negotiation with the channel partners. The analysis of the price negotiation will be split into "Case Study: CDE" and "Case Study: EFG."

Figure 12: Removal of Duplication – Channel Partner List

BRN	PARENTDESC *
18643	Company CDE
200705480E	Company EFG
37659612-000-10-11-4	Company EFG

Channel partners with unique BRN but shared the same PARENTDESC will be removed from the list

**The actual company name had been removed to protect the identity of ABC's channel partners*

4.3.2 Analysis and Findings of Case Studies

Case Study: CDE

I had chosen CDE because it was ABC first strategic partner who had been engaging with ABC's Japan sales team on a possible bid tender worth USD600K. CDE was incorporated in 2000 through the merger of three Japanese companies. CDE has a global point of presence in Japan, Hong Kong, Singapore, the United States, Australia, and Korea as well as well-established partner networks in the Asia Pacific and Europe. CDE employs around 19 thousand employees globally and has an estimated revenue turnover of USD43 Billion. The on-going bid tender is to provide a reliable and cost-efficient global data connectivity network solution for a leading Japanese electronics manufacturer to connect its Japan headquarter to its manufacturing plants in North America, Indonesia, Taiwan, China, and Poland. The speed requirement ranges from 20MB to 100MB. CDE had indicated that the customer requires a service level agreement (SLA) of 99.8% service availability across its manufacturing sites. If the service availability drops below 99.8%, the customer will be entitled to an additional 10% rebate in its monthly recurring fee.

CDE had indicated that their current network partner reliability had been far from acceptable as current service availability falls below 98.5%, and responses on fault servicing in its China and Indonesia network had been slow. The customer's existing two-year contract with CDE will only be due in two-month time, and they would want to explore other alternative or even end the working relationship with CDE. The customer was willing to pay an early termination fee to CDE if the new contract price from its competitors were substantially lower than CDE.

Based on the information provided by CDE, the competitors had quoted the following price for its existing solution and was looking at a lower price from CDE (Table 5). If not, they might port over to the competitor. The customer had also indicated to CDE that they were willing to explore alternative solutions as long as the alternative solution was able to meet their service level requirement.

Table 5: Price Quoted by Competitors

Product Type	**Speed**	**Country**	**Price/month**
Eline	50M	Japan-China	USD47,000 (Breakdown not provided by CDE customer)
Eline (Unprotected)	20M	Japan-Indonesia	
Eline	20M	Japan-Poland	
Eline (Unprotected)	20M	China-Taiwan	
Eline (Unprotected)	100M	Japan-USA	
		Total Price/Year	USD564,000

The customer had also indicated that they were willing to double up the bandwidth in Indonesia, Taiwan, and China if the cost for the upgrade was no more than 15% of USD47K. Thus, with this information on hand, ABC per year reference price will be as follow:

1. USD564K less CDE's gross margin assumption (non-upgrade option)
2. USD648K less CDE's gross margin assumption (upgrade option)

Thus, to address the customer issue, ABC had signed a memorandum of understanding (MOU) with CDE, indicating that ABC will not approach the customer directly during the negotiation process and instead will let CDE be the lead negotiator for the bid tender. With the MOU signed, CDE was willing to share with ABC the customer current network solution and the bandwidth utilisation rate of each manufacturing site. From the utilisation report, ABC was able to conclude that the cause of network instability in both Indonesia and China manufacturing site were caused by near capacity utilisation rate. To address this issue, the bandwidth in both Indonesia and China had to be upgraded.

The reason why the customer did not upgrade both the Indonesia and China bandwidth was that they do not have the necessary budget to do so, and they felt that CDE had been overcharging them. Furthermore, if the end customer wished to upgrade the growth sites, CDE's current partner expects the customer to sign a year contract starting from the effective date of the upgrade. CDE had indicated to ABC that its existing partners in Asia, Europe, and North America were not willing to reduce their prices drastically as it will have a considerable price

erosion at their end. CDE current partners were only willing to provide a 10% price reduction off existing contract price provided there were no changes to existing bandwidth.

CDE wished to retain this account because the customer had a South East Asia expansion plan to further its footprint in Thailand, Philippines, Vietnam, Cambodia, and Myanmar. Thus, if CDE loses this account, it would not have a chance to tender for this new opportunity. Therefore, CDE was willing to share the current contract price of its customer with ABC. The customer was currently paying USD68K/Month inclusive of a 20% margin, which meant that the cost was around USD54.4K/month. The revised partner cost based on the current solution with a 10% discount is USD48.96K/month. Upgrade cost is 15% more than the current revised contract price, at USD56.3K/month for a two-year contract.

To help CDE in convincing its customer to continue with them. ABC had also provided our service availability performance report for China, Taiwan, North America, Poland, and Indonesia. This service availability report was based on ABC actual client site performance in these countries, and it showed that our performance seldom dropped below 99.8% and was hovering close to 99.9% for both IPVPN and Eline solution.

To address the end customer's pain point, ABC offered CDE the following options.

1.) Maintained the current bandwidth and solution at a price that was lower than the competitor with a service level agreement of 99.8%, the customer will be entitled to an additional 5% rebate if service falls below 99.8%.

2.) Double up the bandwidth in China, Taiwan, and Indonesia with no change in bandwidth requirement for the rest of the sites at a min 15% reduction in price but on a two-year contract with a service level agreement of 99.8%, the customer will be entitled to an additional 10% rebate in its monthly recurring fee if service availability falls below 99.8%. ABC Proposed to replace its current solution with an IPVPN solution. Backup port and last-mile protection proposed for China, Taiwan, and Indonesia as these were customer growth sites.

Before I could determine the price offering for CDE, I will need to specify the RG, CR, and EC from the perspective of CDE and its end customer. Table 6 below provides the value triad analysis of this particular case.

Table 6: Value Triad Analysis from the Perspective of CDE and Its End Customer

	RG	CR	EC
Option 1	There will be a drop in revenue as the customer has an alternative provider that is willing to provide a much lower one-year contract price.	Price provided by ABC is lower than what CDE current partners are quoting	None – the customer will most likely experience the same performance standard if the troubled sites were not upgraded.
Option 2	There will be revenue upside as the contract term are longer.	There were substantial cost savings if the customer chose to deploy the IPVPN solution.	Yes – Better network performance in Indonesia and China

CDE'S perspective

CDE's customer perspective

Themes developed during Price Negotiation and channel Partner Engagement:

The official engagement with the channel partner, CDE, started on 29 July 2014 and ended on 11 September 2014. The correspondences were capture in e-mails, and total word count for these e-mails was 5,654 words and was chronologically imported into Nvivo. The e-mail correspondences were populated into themes via Nvivo text message coding function by linking various part of the text to a specific theme associated with the VBP worksheet namely, 1) Solution, 2) Reference Price, 3) Emotional Contribution (EC), 4) Net Revenue Gain (NRG) and 5) Net Cost Reductions (NCR) which had facilitated me in my VBP negotiation with CDE. A snippet of text associated with these themes are listed below:

Solution Nodes:

"Hi XXX, as spoken, appreciate if you could provide a budgetary price for the below mentioned end-to-end solution. These are the current bandwidth of my customer" – Channel Partner, CDE

"Currently, our customer is looking at the expanding the bandwidth in China, Taiwan, and Indonesia as these sites are expected to grow in terms of manufacturing production thus they might need a bigger bandwidth" – Channel Partner, CDE

"Hi xxx, you mentioned that your customer is facing network performance issue in Indonesia and China, is it possible to provide a network performance and utilisation report so that we can identify the best option for your customer. The customer might not need to increase its bandwidth if utilisation is low and might just need to adopt an active-backup solution, which might be lower in cost as well" – Assoc Channel Sales Director, ABC

"Based on the network and utilisation report, it looks like they are hitting close to full utilisation rate in Indonesia and China and the best option is to do a bandwidth upgrade. We will be proposing two solutions here, IPVPN and Eline and you could let us know which of this option suits their budget and their needs" – Assoc Channel Sales Director

"I know your customer prefer eline solution rather than IPVPN solution, but our IPVPN solution is cost-effective and could have great service availability. Attached is the service availability report of some of our major customer and we have a good performance benchmark of close to 99.9%" – Assoc Channel Sales Director, ABC

Reference Price Nodes:

"Hi xxx, please see attached budgetary from ABC based on your requirement."

– Senior Pricing Manager, ABC

"Hi xxx, please see attached, our competitor is quoting the following prices and customer is looking at least a lower price than what competitor has quoted them. It also has a higher SLA requirement this time round."– Channel Partner, CDE

"Hi xxx, spoken to xxx and our solution manager, based on the network diagram and customer location, ABC can provide IPVPN solution to these sites. For IPVPN we would be able to provide more discount if the customer is willing to sign a 2-year contract. Our solution manager had spoken to you as well and had provided some relevant case study of our IPVPN solution.

Attached is the price offer for IPVPN solution. For China, Taiwan and Indonesia it will be on Main and Backup solution with last mile protection" – Senior Pricing Manager, ABC

"Hi xxx, when we price our solution to CDE we must also take into consideration the GM% range they need to make. Based on my experience with other partners, I am looking at min 8% to 20%, thus let us take into consideration the mid-range of 14% and try not to go any higher than that as it will impact on our very own margin as well" – Senior Pricing Manager, ABC

Emotional Contribution Nodes:

"Hi xxx, you mentioned that your customer is facing network performance issue in Indonesia and China, is it possible to provide a network performance and utilisation report so that we can identify the best option for your customer. Customer might not need to increase its bandwidth if utilisation is low and might just need to adopt an active-backup solution, which might be lower in cost as well" – Assoc Channel Sales Director, ABC

"Based on your customer testimonial and the IPVPN performance report given to our customer, they are willing to convert their eline solution to a full IPVPN solution. They are looking at the savings between their current offering and your new proposal" – Channel Partner, CDE

"As our client current solution is mainly eline solutions, they want to know if you can get the IPVPN network ready 2 weeks before their current contract due date as they do not want to have any downtime during the transition" – Channel Partner, CDE

"If your customer can provide the anticipated start date for the handover, we can envision to meet the date, if the delay exceeds more than 3 days we will waive off the one-time installation charges for the affected sites" – Assoc Channel Sales Director, ABC

Net Revenue Gains Nodes:

"I will try to push for the IPVPN option as it will be better for my customer and it will also provide CDE with a revenue upside as it's a 2 year contract rather than a one year contract." – Channel Partner, CDE

"Hi xxx, when we price our solution to CDE we must also take into consideration the GM% range they need to make. CDE has mentioned to me that their approved margin for this deal is 20%, thus we need to take this into consideration in my price analysis. Will update you once I have worked out the numbers" – Senior Pricing Manager, ABC

Net Cost Reductions Node:

"Hi xxx, please see attached high overview on what customer is currently paying us. The customer is looking at a lower price point than what our competitor are quoting. It also has a higher SLA requirement this time round" – Channel Partner, CDE

"The attached prices are the best price we could offer for this deal, if customer is looking at a 3-year contract, we might be able to negotiate a better price offering from our premium partner in China and Indonesia to push for lower cost structure and past that saving to you and your

customer. It might be just an additional 5% discount off the 2-year contract price offer provided" – Senior Pricing Manager, ABC

The texts mentioned above that are linked to the five themes capture critical information that allows me to determine the estimated revenue gain of CDE and estimated cost reduction for CDE's customer. Furthermore, if used effectively, the text associated with emotional contribution had also facilitated me in negotiating for a higher price position to CDE as our solution can resolve customer pain point effectively with proven track records. With this information on hand, the channel sales team in ABC try to influence CDE to persuade its customer to go for an IPVPN 2-year contract deal. Table 7 shows the estimated calculation done by me to determine the Net Revenue Gain for CDE and Net Cost Reduction for CDE's customer. Table 8 shows the application of VBP worksheet to CDE case scenario.

Table 7: Estimated Net Revenue Gain for CDE on 2 Year IPVPN Contract

Product Type*	**Speed**	**Country**	**Price/month**
IPVPN (Main + Backup with last mile protection)	100M (upgraded from 50M)	China	USD8,000
IPVPN (Main + Backup with last mile protection)	40M (upgraded from 20M)	Indonesia	USD9,000
IPVPN	20M	Poland	USD4,000
IPVPN (Main + Backup with last mile protection)	40M (upgraded from 20M)	Taiwan	USD4,000
IPVPN	100M	USA	USD6,800
Japan Gateway Port	300M	Japan	USD4,000
		Total Price /Month	USD35,800

Total 2-year Contract Price offer by ABC to CDE	USD859,200 (a)
Add CDE gross margin of 20%	USD214,800 (b)
Total contract price payable by CDE's customer (a) +(b)	USD1,074,000 (c)
Less current contract price payable by CDE's customer USD68K x 12	USD816,000 (d)
Net Revenue Gain (c) – (d)	USD258,000

**When the primary circuit is down, the back-up circuit will be activated to ensure minimal downtime in performance*

Estimated Net Cost Reduction for CDE on 2 Year IPVPN Contract

Existing provider cost – Price quoted by ABC = NRC

USD48.96K – USD35.8K = USD13.16K per month

Total Net Cost Reduction for 2 Years = USD315.84K

Table 8: Application of VBP worksheet to CDE

Product Service	ABC's global data connectivity services	
Scenario	2-year IPVPN Network Services (Upgrade Bandwidth) in China, Taiwan, and Indonesia. Rest of the sites no changes in bandwidth. Lower cost and higher network performance option. SLA 99.8% availability with a 10% rebate if network performance falls below 99.8%.	
Customer Client	CDE's End Customer	
Date	7th August 2014	
Value Triad Element	**Our Solution**	**Comments**
Emotion Contribution	Option 2	Ability to meet end-customer SLA requirement The circuits can be provision at customer desired start date. Thus, prevent network downtime from switching to a new solution. CDE would only need to deal with ABC when there is a

		network issue. Currently, CDE needs to deal with three different providers. One in Europe, one in Asia and one in the Americas. ABC is a one-stop station.
Total Emotional Contribution (EC)		
Add Revenue Gains	USD1,074,000	Current 2-year contract price to end customer based on ABC's 2-year IPVPN network solution
Less Revenue losses	USD816,000	Current 1-year contract price to end customer based on Eline solution. To be ended once ABC's IPVPN solution has been provisioned
Net revenue Gains (NRG)	**USD258,000**	
Add cost reduction	USD315,840	Directly from signing up to ABC's 2-year IPVPN network contract.
Less cost Increase	0	Rebate of 10% if Service level falls below 99.8% not included as this is unlikely to happen as ABC current network performance to these countries are on average 99.9%.
Net Cost Reduction (NCR)	**USD315,840**	**Net cash value of all cost savings.**
Total Added value	USD573,840	EC + NRG + NCR
Total 2-year reference price	USD829,440 (648K x 2) less 20% less 20% margin requirement	Based on CDE's end customer initial upgrade target price for 1-year contract x 2, less standard network cost erosion of 20% and less CDE 20% margin requirement
Maximum Economic Price	USD1,145,280	RP+EC+NRG+NCR
Minimum Economic Price	USD732,000	Based on the proposed IPVPN network solution and two years lowest possible price with a floor gross margin of 16%. Cost-plus pricing.
Target Price	USD800,000	Gross margin of 22.6%

Based on the case study of CDE, the price negotiation corridor will be between USD732,000 to USD1,145,280. ABC closed the deal at USD852,900 which contribute to a gross margin of 27%. If ABC had adopted a cost-plus approach, the deal will be closed at USD732,000 at a margin of 16%. If VBP had not been adopted in this price negotiation, ABC will lose a revenue maximisation opportunity of USD120,900 and will also fail to realise an additional 6.6% gross margin.

With the success of this case, CDE had requested ABC to provide a budgetary IPVPN price book. I had used a gross margin of 46%, derived from the maximum economic price to determine the price book pricing for the below-mentioned requirement (Table 9). Additionally, CDE had also wanted ABC to provide a price book for the southeast Asia IPVPN network, but I had rejected the request as ABC had no precedent to determine the optimal price point. Nevertheless, I had assured CDE that ABC would work with them closely for the next bid for a leading Japanese automobile company.

Table 9: Price Book for CDE

Country	**Bandwidth**	
China	20M-100M	Price based on 46% gross margin, derived from the maximum economic price.
USA	20M-100M	
Indonesia	20M-100M	
Taiwan	20M-100M	
Poland	20M-100M	
Terms and Conditions 1. All prices quoted in USD 2. Inclusive of budgetary local loop access 3. Subject to resource availability 4. Subject to accessibility study 5. Excluding in-country taxes 6. ABC is not liable for any outages caused by natural disaster.		

Case study: EFG

Based on historical data from July 2013 to July 2014, EFG win rate with ABC was only 5.08% (3 win cases over 59 quotations). EFG is a multinational telecommunication company headquartered in London with an interest in network services, voice services, and data centre services. EFG operates in 28 countries across Europe, Asia, and the US, with metropolitan area networks in 47 major cities and connections into over 200 cities globally. ABC decided to engage EFG because they had an on-going bid for a US leading mass media company and provided the channel sales team a chance to secure a US1.5million deal.

The on-going bid tender was to provide a reliable and cost-efficient global data connectivity network solution to connect EFG customer headquarters in the US to its major businesses in Japan, Hong Kong, China, and France. The speed requirement ranged from 200MB to 1G on either IPLC or Eline solution. The end customer had also indicated to EFG that they would want cable routes that have low latency. EFG had indicated that the customer requires a service level agreement (SLA) of 99.9% service availability for all its sites. If the service availability drops below 99.9%, the customer will be entitled to an additional 5% rebate in its monthly recurring fee. The contractual period will be for three years. Additionally, if yearly latency falls below committed latency, the customer will be entitled to a 3% rebate on its annual fee for the affected sites. Including EFG, there were five network operators competing for this tender. One was an Australian player, and the other three providers were from the US. If EFG manages to win this bid, the end customer will be a new revenue stream for both EFG and ABC.

Table 10: EFG's Customer Bandwith Upgrade Requirement

A End*	B End*	Bandwidth	Required Latency (Round Trip) in milliseconds
US	Hong Kong	200M-1G	163.062
US	France	200M-1G	Not required will be quoted by EFG
US	Japan	200M-1G	136.539
China	Hong Kong	200M-1G	49.469
Hong Kong	Japan	200M-1G	64.638
France	Hong Kong	200M-1G	192.338
France	Japan	200M-1G	218.469

**All routes are unprotected*

According to EFG, the end customer was paying USD56,789 per month (excluding the US to France route) for a 100M requirement for the routes mentioned above (Table 10). This adds up to USD2.04 million for a 3-year contract. Thus, taking industry price erosion of 15% on year on year basis as a form of benchmark, a 100M monthly payment will now be around USD43.2K, equivalent to USD1.55 million for a 3-year contract. The end customer did not provide route-specific price breakdown, but based on the intelligence supplied by EFG, the current provider was a US competitor, and based on ABC bid experience, their price point will be one of the highest, thus most likely they will be competing on the solution. The customer had indicated that the 1G option needs to be price below USD4 million for a 3-year contract. Based on ABC's internal benchmark and compare against external research information from Telegeo, the price factor from 100M onwards is as follows (Table 11).

Table 11: Price Factor from 100M to 1G

100M to	200M	400M	500M	1G	Comments*
X	1.8X	1.4X to 2.7X	2.2X	1.87X-5.9X	Variation in price factor can be due to the accessibility of customer site location, customer perceived value as well as competitive pricing.

**As competitors are all first-tier providers, their price point is usually higher. Thus, when there is a massive variation in price factor, ABC will be using the mid-range factor rate to determine the upgrade bandwidth prices*

As the competitors will be competing more on the solution, latency and performance availability, ABC main advantage in this tender was that we are a major submarine and terrestrial cable investor in the US to Asia routes, meaning on-top of meeting customer technical requirement we can also provide an attractive price point to encourage the customer to switch over to EFG. But before, we go into the price positioning, it will be essential to understand the growth plans of the end customer so that optimal cable routing and bandwidth can be proposed.

Based on the information provided by EFG, the end customer critical routes are the US to Hong Kong route as well as Hong Kong to China route. And based on the end customer's business growth plan for the next three years compare against its current bandwidth requirement, the eventual requirement from the customer will be as follow (Table 12) with a target price of between USD2.5 Million to USD3 Million for a 3-year contract. As ABC won't be quoting the US to France route, the target price given by EFG will be between USD2.1 Million to 2.6 Million. The estimated industry resale margin is between 8% to 20%. Thus 14% will be used as EFG estimated floor margin. After taking into consideration the estimated 14% gross margin, the target price for ABC will fall between USD1.8 Million to USD2.2Million.

Table 12: Revised Customer Eline Network Requirement

A End	B End	Bandwidth	Required Latency (Round Trip) in milliseconds
US	Hong Kong	1G	163.062
US	France	400M	Not required will be quoted by EFG
US	Japan	400M	136.539
China	Hong Kong	1G	49.469
Hong Kong	Japan	400M	64.638
France	Hong Kong	200M	192.338
France	Japan	200M	218.469

The US to Hong Kong route passes through either the South China Sea or the East China Sea; these areas are typhoon-prone areas which could affect submarine cable performance, ABC proposed to offer protected routes to ensure minimum service disruption and help EFG differentiate itself from other competitors. As for the Hong Kong to China route, ABC will be using a terrestrial cable that bypasses the seafloor, and thus a protected path is not necessary. Therefore, ABC proposal and latency commitment are as follows (Table 13):

Table 13: ABC Proposal and Latency Commitment for EFG

A End	B End	Bandwidth	Required Latency (Round Trip) in milliseconds
US	Hong Kong	1G	1.5674 (Protected)
US	Japan	400M	135.323
China	Hong Kong	1G	46.478
Hong Kong	Japan	400M	57.947
France	Hong Kong	200M	187.783
France	Japan	200M	217.829

Before I could determine the price offering for EFG, I will need to specify the RG, CR, and EC from the perspective of EFG and its end customer. Table 14 below provides the value triad analysis of this particular case.

Table 14: Value Triad Analysis from the Perspective of EFG and its End Customer

RG	CR	CR	EC
Yes, the new revenue stream for EFG	Will incur a cost as it is a new customer base	Expected cost savings from a per Megabyte basis. This is because as bandwidth increases, the per MB cost will be lower. But the overall cost will increase	SLA of 99.9% provided. The risk of performance availability is low for the US-Hong Kong route as a protected solution will be provided.

EFG'S perspective

EFG's customer perspective

Themes developed during Price Negotiation and channel Partner Engagement:

The official engagement with the channel partner, EFG, started on 18 August 2014 and ended on 30 September 2014. The correspondences are capture in e-mails, and total word count for these e-mails were 7,452 words and was chronologically imported into Nvivo. The e-mail correspondences were populated into themes via Nvivo text message coding function by linking various part of the text to a specific theme associated with the VBP worksheet namely, 1) Solution, 2) Reference Price, 3) Emotional Contribution (EC), 4) Net Revenue Gain (NRG) and 5) Net Cost Reductions (NCR) had facilitated me in my VBP negotiation with EFG. A snippet of text associated with these themes are listed below:

Solution Nodes:

"The list below shows the current solution for my customer, they are looking at possible upgrade between 200M and 1G bandwidth, the table below also include current latency commitment" – Channel Partner, EFG

"To better understand the requirement, do you have the growth plan for each route, possible to provide the customer utilisation report, btw possible to share which of the requirement is their critical route?" – Assoc Channel Sales Director, ABC

"Based on their growth plan and after our conversation with solution manager, we do not need to propose an upgrade to 1G; only the critical routes need to be upgraded to 1G, the rest of the route can be upgraded to 200M and 400M, is there any target price from EFG?"
– Senior Pricing Manager, ABC

"Hi, xxx, to differentiate ourselves from the competitor, solution manager has proposed to do the US-HK route with protection. For the HK-CN route we will go with terrestrial solution thus bypassing SCS & ECS, which is prone to Typhoon. I will request a competitive quote from our HK and China partner. We have more partnership than our competitor this will give us better bargaining power" – Senior Pricing Manager, ABC

"we should be able to provide better latency; our round-trip latency is a couple of ms lower than what customer have indicated. Please see attached for the cable routes latency which we can commit"- Solution Manager, ABC

Reference Price Nodes:

"According to customer, they are paying around USD2.04 million for a 3-year contract for the 100M requirement" – Channel Partner, EFG

"Hi, xxx, do take into consideration an estimated GM% which EFG needs in our price offering" – Assoc Channel Sales Director, ABC

"I estimate EFG GM% to be around 14% but it can be higher, I am basing on what some carrier had indicated to me previously. I will take a more aggressive price erosion rate of 15% per year to determine an estimated target price" – Senior Pricing Manager, ABC

"After considering 14% GM and erosion rate, our price offering to EFG should be between USD1.8 Million to USD2.2Million" – Senior Pricing Manager, ABC

"Thanks, I will start the negotiation with the higher price point first. Will keep you posted" – Assoc Channel Sales Director, ABC

Emotional Contribution Nodes:

"Hi xxx, the US-Hong Kong route is a critical route, they would connect into mainland via Hong Kong-China; thus latency and performance availability are utmost for them. If pricing can be competitive that will be an added advantage" – Channel Partner, EFG

"Noted your concern, we would ensure that we use the best cable option available to us for this quotation" – Assoc Channel Sales Director, ABC

"Based on the reports and growth plan of the customer, my solution manager had proposed the following, I have indicated the reason for our proposal as well, please share it with your customer" – Assoc Channel Sales Director, ABC

"Customer is interested in your proposal and feels that we try to understand their needs so as to address their growth expansion plan, they look forward to our best price offer, good chance in winning this 😊" – Channel Partner, EFG

Net Revenue Gains Nodes:

"Customer is interested in your proposal and feels that we try to understand their needs so as to address their growth expansion plan, they look forward to our best price offer, good chance in winning this 😊" – Channel Partner, EFG

"Please see our best and final offer for our proposal, let us win this account together, look forward to your favourable response" – Senior Pricing Manager, ABC

Net Cost Reductions Node:

"Hi xxx, if you look at our price offering for the revised proposal, you will notice that customer will have a considerable savings from a per MB basis. Thus, I would say other than solution, our price point should be the most competitive" – Senior Pricing Manager, ABC

The text mentioned above that are linked to the five themes; this information had allowed me to determine the estimate revenue gain and estimated cost reduction for EFG and its customer. Furthermore, if used effectively, the text associated with emotional contribution can also facilitate me in negotiating for a higher price position to EFG as our solution can address the customer business growth plan and minimised service disruption on critical routes. Table 15 shows the estimated calculation done by me to determine the Net Revenue Gain and Net Cost Reduction for EFG and its customer. Table 16 shows the application of VBP worksheet to EFG.

Table 15: Estimated Net Revenue Gain for EFG on 3 Year Eline Contract

Product	A End	B End	Bandwidth	Latency in milliseconds	Price (USD)
Eline (Active-Passive)	US	Hong Kong	1G	1.5674	$7,500
Eline	US	Japan	400M	135.323	$5,000
Eline	China	Hong Kong	1G	46.478	$34,000
Eline	Hong Kong	Japan	400M	57.947	$5,000
Eline	France	Hong Kong	200M	187.783	$4,000
Eline	France	Japan	200M	217.829	$4,000
Total cost incurred by EFG (amount payable to ABC) per Month					$59,500 (a)
Total cost incurred by EFG for a 3 year contract (a) x 36					$2,142,000
Net revenue gain (14% GM estimate)					$348,698

Estimated Net Cost Reduction for EFG customer on 3-year Eline Contract

Existing provider cost – Estimated price quoted by EFG to end customer = NRC

USD2,040,000 – USD2,142,000 = -USD102,000

Table 16: Application of VBP Worksheet to EFG

Product Service	ABC's global data connectivity services
Scenario	3-Year Eline Contract upgrade solution with protection on the USA to Hong Kong route. Performance availability 99.9% with a 5% rebate if yearly average performance availability falls below 99.9%.
Customer Client	EFG's End Customer

Date	26th September 2014	
Value Triad Element	**Our Solution**	**Comments**
Emotion Contribution		Ability to meet end-customer SLA requirement Peace of mind as the critical US to Hong Kong route is with protection. Hong Kong to China route is via terrestrial cable; thus, chances of service disruption is low. The solution provided can cater to end customer growth strategy. Better price offering when compared to competitors and existing incumbent.
Total Emotional Contribution (EC)		
Add Revenue Gains	USD348,698	Estimated EFG's contract price to end customer less ABC price to EFG
Less Revenue losses		
Net revenue Gains (NRG)	**USD348,698**	
Add cost reduction		
Less cost Increase	-USD102,000	Existing provider cost (USD2,040,000) – Estimated price quoted by EFG to end customer (USD2,142,000)
Net Cost Reduction (NCR)	**-USD102,000**	**Net cash value of all cost savings.**
Total Added value	USD246,698	EC + NRG + NCR
Total 3-year reference price	USD1,800,000	Estimated target price from EFG after taking into consideration the estimated EFG'S gross margin of 14%.
Maximum Economic Price	USD2,046,698	RP+EC+NRG+NCR
Minimum Economic Price	USD1,596,874	Based on the proposed Eline network solution at the lowest approved gross margin of 8%. Cost-plus pricing.
Target Price	USD1,976,400	Gross margin of 26%

Based on the case study of EFG, the price negotiation corridor will be between USD1,596,874 to USD2,046,698. ABC closed the deal at USD1,980,000, which contribute to a gross margin of 26%. If ABC adopts a cost-plus approach, the deal will be sealed at USD1,596,874 at a margin of 8%. If VBP had not been adopted in this price negotiation, ABC will lose a revenue maximisation opportunity of USD383,126 and will also fail to realise an additional 18% gross margin.

With the success of this case, EFG had requested ABC to provide a budgetary Eline price book for a possible collaboration on a metal exchange project. The channel sales team, product team, and the pricing team had decided to provide a budgetary Eline price book to EFG because the metal exchange project will be a new market and revenue stream for ABC. EFG is a strong network solution provider in the financial and commodities exchange market. The team had unanimously agreed to price the routes at a 28% gross margin. The 28% gross margin was derived from the maximum economic price of this mass media deal to determine the price book. Based on ABC's internal data, our gross margin for Eline solution to our direct financial accounts/customers hovers around 8% to 36%. Taking into consideration EFG's min gross margin requirement, a price book based on a 28% gross margin seems to be reasonable. The requested routes for the price book are as follow:

Product	A End	B End	Bandwidth	Price (USD)
Eline	UK	Singapore	100M-500M	Based on a 28% Margin. Cost plus approach.
Eline	UK	Hong Kong	100M-500M	
Eline	UK	US	100M-500M	
Eline	UK	Brazil	100M-500M	
Eline	Singapore	Hong Kong	100M-500M	
Eline	Singapore	US	100M-500M	
Eline	Hong Kong	US	100M-500M	

Terms and Conditions

1. All prices quoted in USD
2. Inclusive of budgetary local loop access
3. Subject to resource availability
4. Subject to accessibility study
5. Excluding in-country taxes
6. ABC is not liable for any outages caused by natural disaster.

Both cases studies had indicated that if ABC had adopted a cost-plus approach in its price negotiation with its channel partners, it would miss out on profit maximisation opportunity because it was a strategy that does not take into consideration the channel partners perceived value of ABC's global data connectivity services (Drury 2013). Additionally, Market-based pricing seems to be less relevant during channel partner price negotiation because I need to take into consideration the anticipated mark-up of my channel partners. If I was to provide a contract price based on what my channel partners' competitors were quoting, it will result in a higher price for them and will most likely put ABC out of the bidding competition. Additionally, the two case studies also clearly indicated that if I were to adopt market-based pricing, I would not be able to capture the real value of my company's global data connectivity products as we would most likely overlook our product advantages (Jensen 2013).

Additionally, the two case studies had provided a clear indication that VBP had given me the ability to quantify my channel partners' and its end customer perceived value in my pricing

arithmetic (Doster and Roegner 2001). Integrating VBP in the channel partner price negotiation allows both channel partners and ABC to brainstorm on the solution to address customer pain points and requirement, thus giving us an opportunity to assess how our product and service benefit the channel partners and its end customer in terms of revenue streams, elimination of cost and emotional contribution (Macdivitt and Wilkinson 2012). The two case studies also indicated that once trust was established, channel partners will be a good source of future business opportunities (Roine, Sainio, et al. 2012). The close collaboration between ABC and its channel partners had provided an excellent source of reference pricing, allowing me to adjust my company product value proposition against those that were offered by our competitors (Lewis 2012).

Most importantly, the openness developed during the channel price negotiation process allows both ABC and channel partners to reach an agreement on the solution to be deployed at a winning price, thus, translating into downstream benefit for both parties (Nissilä, 2015, Macdivitt and Wilkinson 2012), for example, new market penetration for ABC and new revenue stream for both channel partners and ABC. Thus, these advantages that come with VBP can help strengthen ABC's competitive advantage and set it apart from competitors that solely rely on cost-plus pricing and market-based pricing.

4.3.3 Evaluating the Effectiveness of the Channel Partner Pricing Program

The channel partner pricing program was implemented and had met its key objectives in helping ABC's enhance its competitive advantages through profit maximisation and market penetration opportunity. The channel partner pricing program had help ABC generate an additional incremental net revenue of USD3 million within one year. Most importantly, the overall win rate of channel accounts had improved from 12% to 40%. To capture the momentum and expedite the growth potential of the program, the sales function that looks into the channel partner relationship management will be managed by in-country carrier sales managers and the pricing team will control the pricing decision. The existing channel sales personnel will be merged into carrier sales, thus enabling the salesperson to tap into a wider pool of manpower and network resources to drive the channel partner pricing program further.

4.4 PRICING EMPOWERMENT

In this section, I will investigate the effectiveness of ABC's current pricing empowerment for global data connectivity services business and how it can be finetuned to help ABC better adapt to different market conditions. I had relied on the findings of the analysis to make the necessary recommendation to the top management team. I believed that by addressing the gap in pricing empowerment and rectifying it could facilitate the implementation of value pricing. The top management had given standard fix empowerment to the pricing managers for the below mentioned global data connectivity services (Table 17).

Table 17: Current ABC's Pricing Empowerment for Global Data Connectivity Services

Product	Empowerment based on Gross Margin	Region
IPVPN	16%	Global
Eline	8%	Global
IPLC	8%	Global

Based on the information provided in Table 4, it can be assumed that the current pricing empowerment did not consider the price sensitivity and customer perceived value in different geographical sales regions. Thus, with a one size fits all kind of empowerment on a global basis, will mean that any deal closure might incur opportunity cost associated with gross margin and revenue. If a price quotation falls below the pre-approved empowerment level, the pricing manager will need to escalate to the VP product or CEO for approval, and this can be counterproductive given the fact that, on average, each pricing manager handles an average of 478 cases a month. The pre-determined gross-margin in Table 17 is based on total revenue over total variable costs incurred in deploying global data connectivity services globally.

I feel that although having universal pre-determined pricing empowerment for the pricing managers can improve the efficiency of a pricing decision, it fails to take into consideration that different markets have a varying degree of price sensitivity (Hualong and Shoulian 2009). Therefore, it will be highly appropriate for ABC to review its pricing empowerment based on value-pricing than cost-plus pricing. I feel that pricing empowerment based on value-based pricing is highly relevant for ABC because it investigates customer willingness to pay for the global data

connectivity network deployment and allows ABC to have different pricing empowerment based on customers' country of origin.

Table 18: Participants involved in Pricing Empowerment Discussion

Activities	Participants	Total Number of Participants
Pricing Empowerment	• 1 Pricing Director • 2 Senior Pricing Manager • 1 Pricing Process Manager • 7 Pricing Manager	11

Table 18 shows the stakeholders that were involved in the Pricing Empowerment meeting on 30th July 2014. In this meeting, the pricing director had asked the team to specify the course of action needed to determine the right pricing empowerment for different geography. Attached below are the snippets of some of the interactions that took place in the meeting.

Before we deep dive on what we need to do to amend the existing pricing empowerment, we would need to gather some critical information to support our initiatives – Pricing Director, ABC

I can provide the margin transaction for each winning quotation by geographical representation to xxx by the end of next week, 6 August 2014 – Pricing Process Manager, ABC

Once I received the information, I will do a high-level analysis and review with the team and see how we can further finetune the pricing empowerment – Senior Pricing Manager, ABC

On 16 July 2014, I had received the margin transaction report from the pricing process manager. The margin transaction report was based on historical win data from 1st Jan 2014 to 31st July 2014, which showed 6226 winning records. The Source of the data was from ABC internal pricing system. Through the removal of the channel and wholesale accounts, out-of-scope products, and duplicated cases, I was able to reduce the winning records to 479 cases. I had further segregated pricing data based on the following geographical sales region, China, Taiwan, Hong Kong, Japan, Korea, Singapore, India, Malaysia, Indonesia, Europe, and the US.

Table 19 displays the margin of all transacted deals for IPVPN direct accounts, excluding channel sales and wholesale accounts. Table 20 displays the margin of all transacted deals for IPLC and Eline direct accounts, excluding channel sales and wholesale accounts. Direct accounts refer to accounts which ABC sells its global data connectivity services directly to end customers. Channel sales and wholesale accounts were omitted because these accounts had a different IPVPN, Eline, and IPLC cost structure, e.g., the non-network cost can be removed from standard costing.

Table 19: Transacted Deals based on Margin – 1st Jan 2014 to 31st July 2014 – IPVPN

Margin	Rational Scale	Regional Sales Office										
		CN	TW	HK	JP	KR	SG	IN	MY	ID	EU	US
		No of cases										
Margin>48%	5	6	2	3	3	0	47	0	0	2	4	5
33%>Margin≤48%	4	3	1	2	4	2	10	1	3	0	4	18
16%≤Margin≤32%	3	11	8	14	17	10	54	3	5	0	10	15
0%≤Margin<15%	2	11	3	5	4	1	26	1	0	3	1	7
Margin<0%	1	2	4	4	13	0	11	2	0	1	2	4
Total Win Cases (1)		33	18	28	41	13	148	7	8	6	21	49
% of cases need escalation		39%	39%	32%	41%	8%	25%	43%	0%	74%	14%	22%
Total Rational Scale Score (2)		99	48	79	103	40	500	17	27	17	70	160
Price Sensitivity Level *		3.00	2.67	2.97	2.51	3.08	3.38	2.43	3.38	2.83	3.33	3.27

*** Rounded to the nearest 2 decimal place, sum of rational scale per country (2)/total win cases (1). Country that scores 3 and below might be price sensitive.**

CN = China TW = Taiwan HK = Hong Kong JP = Japan KR = Korea SG = Singapore IN = India MY = Malaysia ID = Indonesia

Table 20: Transacted Deals based on Margin – 1st Jan 2014 to 31st July 2014 – IPLC/ELINE

Margin	Rational Scale	Regional Sales Office										
		CN#	TW	HK	JP	KR	SG	IN	MY	ID#	EU	US
		No of cases										
Margin>3X%	5		2	3	1	7	8	0	0		3	7
2X%>Margin≤3X%	4		0	0	0	0	10	0	0		4	5
X%≤Margin≤2X%	3		0	0	0	0	12	1	1		8	6
0%≤Margin<X%	2		0	1	3	1	5	0	1		1	1
Margin<0%	1		1	1	0	2	4	3	0		0	2
Total Win Cases (1)			3	5	4	10	39	4	2		16	21
% of cases need escalation			33%	40%	75%	30%	23%	75%	50%		1%	14%
Total Rational Scale Score (2)			11	18	11	39	130	6	5		57	77
Price Sensitivity Level *			3.67	3.60	2.75	3.90	3.33	1.50	2.50		3.56	3.67

*** Rounded to the nearest 2 decimal place, the sum of Rational scale per country (2)/total win cases (1).**

#CN and ID region office does not sell IPLC/ELINE product, this is managed by carrier sales or channel sales

CN = China TW = Taiwan HK = Hong Kong JP = Japan KR = Korea SG = Singapore IN = India MY = Malaysia ID = Indonesia

EU = Europe

4.4.1 Analysis of Transacted Deal based on Margin

The results in Table 19 had allowed me to categorize the sales offices by the degree of price sensitivity. The price sensitivity level was derived by the total number of rational scales per country over the total number of win cases. Countries that had a score of 3 or less had a higher price sensitivity level. Meaning IPVPN pricing in countries such as China, Taiwan, Hong Kong,

Japan, India, and Indonesia can be highly competitive due to intense market competition. Thus, the direct customer in these countries might perceive value as something that increases in accordance with the price paid for IPVPN (Zeithaml 1988, Riaz and Tanveer 2011, Carricano 2014). In contrast, IPVPN pricing in countries such as Korea, Singapore, Malaysia, Europe, and the US was less price-sensitive, and thus a higher price point can be set. Therefore, a direct customer in these countries might perceive value as 1) the benefits received by choosing ABC's IPVPN rather than the price paid or 2) equate the quality of the IPVPN received for the price paid (Zeithaml 1988, Riaz and Tanveer 2011, Carricano 2014).

A first glance at the results shown in Table 19, it can be concluded that the current pricing empowerment for IPVPN based on Price Sensitivity Level had indicated that a fix % of margin seems to work for the sales office in China, Korea, Singapore, Malaysia, Europe, and the US. But by analysing the data by the percentage occurrence for escalation, the pricing empowerment based on a fixed percentage of margin does not seem to work for some countries as the percentage of escalation was above 30% in countries such as China, Taiwan, Hong Kong, Japan, India, and Indonesia. The results showed that for every 10 cases, 4 cases needed an escalation in China and 7 cases had to be escalated in Indonesia.

Based on the results tabulated in Table 20, the pricing empowerment for IPLC/Eline based on a *Price Sensitivity Level* seems to work well for the sales office in Taiwan, Hong Kong, Korea, Singapore, Europe, and the US whereas it does not work well for Japan, India, and Malaysia. However, if I was to analyse the data based on the percentage occurrence for escalation, the rate

of escalation in Taiwan, Hong Kong, Japan, Korea, India, and Malaysia looks high. Especially so for Japan and India, where the escalation was as high as 75%. Thus, by combining the weighted average score based on margin and escalation percentage, it can be interpreted that ABC's prices for IPLC and Eline in Japan and India are highly uncompetitive.

Therefore, based on the earlier explanation given to IPVPN, the same conclusion can be obtained, countries with a Price Sensitivity Level of less than three can be classified as a country that was price-sensitive, and countries that score higher than three can be classified as less price sensitive. Thus, the results in both table 19 and 20 had indicated that ABC should not adopt a one size fits all pricing empowerment strategy. Therefore, the current one size fits all empowerment failed to consider the influence of determinants had on pricing strategy, for example, competitive-related determinants and market-related determinants.

Although the findings were made known to the participants on 2nd October 2014 and highlighted to the pricing director to advocate the necessary changes needed in the empowerment level to the top management, it was being turned down because the total percentage of escalation for IPVPN and IPLC/E-Line was only 17% and 13% respectively. Therefore, it was deemed by the pricing director as immaterial to lobby for any changes to the current fix standard empowerment set up, especially so when management is controlling the margin tightly. The participants involved in this project did not oppose the pricing director's suggestion of maintaining the status quo. As the pricing team advocates consensus building, thus the pricing empowerment project will not be carried out. There are three options for me to explore,1) escalate the case to a higher authority

2) work on another project that could make a difference to pricing strategy or 3) re-emphasise the importance of adjusting the pricing empowerment in the next weekly meeting. Although the pricing empowerment was not amended, the results in Table 19 and 20 will allow me to generalise the following assumptions:

- Having a better understanding of customers' perceived value of the product will help pricing managers made better pricing decisions. For example, if a pricing manager receives an IPVPN case from an Indonesian customer, most likely, the pricing manager would need to escalate for a lower price if ABC wants to win the deal.

- Market segmentation by geography would allow more price discrimination. Both table 19 and 20 have indicated that customers from EU, US, and Singapore were less price-sensitive, and thus the possibility for ABC to charge higher prices will be more viable.

- Customers that operate in culturally diverse markets will require greater flexibility in the pricing strategy. Both table 19 and 20 have indicated that customer from a different country of origins has different price sensitivity level. Thus universal fixed pricing empowerment based on margin would not sit well with customers based in Hong Kong, Taiwan, and Japan.

4.4.2 Finding an Alternate Pricing Empowerment Option

On 9 October 2014, in my weekly pricing team meeting, I appealed to relook at the opportunity to manage the pricing empowerment of global data connectivity services more efficiently. I believed that although changes to the pricing empowerment only impact on 17% of IPVPN and 13% of IPLC/E-line business, the team should try all means to minimise unnecessary escalation that could hinder the team pricing turn around time. Attached below are some of the discussion snippet that took place:

In our last pricing meeting, the team had reached a full consensus to abort the pricing empowerment project, but do we have other options on hand to relook at pricing empowerment at a different perspective? Rather than making changes to the whole empowerment framework for price-sensitive country are we able to explore empowerment at account level? Why I am bringing this up, is really to help improve our productivity to do multiple escalations for the same customer over and over again. – Senior Pricing Manager, ABC

We properly could explore ways to manage our pricing empowerment based on a portfolio basis, but what steps should be taken and how do we go about doing it? – Pricing Manager 1, ABC

My suggestion will be to combine all the international data transaction and limit to win cases as there are a lot of deal that contains a mixture of both IPVPN and Eline/IPLC. XXX what do you think? – Senior Pricing Manager, ABC

I think this is not a bad idea, but we can first start off by filtering the accounts by country and look at their revenue contribution if it is substantial, it might be worth the effort. If we can also look into the frequency of requests, it will also give us more weight when it comes to escalation for approval – Pricing Director, ABC.

In this case, we would need win records as well as pending and loss records. Is it possible for xxx to provide the necessary data based on accounts whose contract hasn't expired? It's best to split the data of both win and pending/loss records. – Senior Pricing Manager, ABC

Possible, you have a sample of SAS report, can you review the report filter so that I can extract and validate the data based on the condition you set. This can also eliminate the downloading time of the reporting. – Pricing Process Manager, ABC

Sure, I will do that and send it to you tomorrow – Senior Pricing Manager, ABC

I think once we identify the accounts, we can extract the customer commercial agreement to ensure that we consolidate the right services as some customer might have upgraded their requirement within their contract period. – Pricing Manager 2, ABC

On 10 October 2014, I provided the following report condition to the pricing process manager (Table 21). For the lost/pending data report, the period range was set at one year between 11

October 2013 to 10 October 2014. For the win report, no start date was required as the database will be able to extract the data based on customer open contract status and auto pull the contract start date. The pricing process manager would cross-check the information and ensure that the data had no duplication. E.g., past win sites/routes should not be double-counted if the customer had upgraded to a new bandwidth. I gave the pricing process manager a 2-week deadline to provide the necessary report

Table 21: Report Conditions

Customer Name	Product		Cost	Start Date#	End Date*	Price	Status	Quoted by	Notes
[redacted]	A End	B end	[redacted]		Open	[redacted]	Win/lost/ Pending	Pricing Manager Name	IPLC/ELINE
	Country				Open				IPVPN
	Last Mile				Open				Local Access

** Open means that the customer contract had not expired.*

Upon receiving the report on 24 Oct 2014, I took three days to review the data that was provided to me. From my review, I found out that the pricing managers had an opportunity to change the pricing empowerment approval for seven major accounts based on revenue contribution and margin. Table 22 provides a high level of the accounts that will be escalated to the VP Product for lower pricing empowerment. This exercise aimed to achieve the following objectives:

1. To manage the pricing of these affected accounts more efficiently as they fell below the universal pricing empowerment.

2. Established minimal pricing empowerment for the mixed products as many of these affected accounts used both IPVPN and Eline/IPLC services. Thus, pricing empowerment will be based on the account portfolio rather than individual product items.

3. With an account portfolio pricing empowerment, the pricing manager must aim to improve the overall margin performance of the account. This can be done by being more effective in third-party cost negotiation with ABC's international partner.

4. The ability to improve the account portfolio margin will help expedite ABC's VBP endeavours.

Table 22: Pricing Empowerment Based on Customer Portfolio

Country	Customer	Product	Contract Value ($M)	Margin	Contract Period	Region Scope	Industry
India	A	IPVN, Eline and IPLC	USD2.5M	4%	2 Years	APAC	IT Services and Consulting
India	B	IPVPN and Eline	USD1M	1%	2 Years	Africa	Banking
Europe	C	IPVPN, Eline and IPLC	USD30M	4%	3 Years	Global	Automobile
Europe	D	IPVPN, Eline and IPLC	USD7M	6%	2 Years	Global	Banking
US	E	Eline and IPLC	USD6M	14%	2 Years	Global	Banking
Singapore	F	IPVPN, Eline and IPLC	USD3.5M	10%	2 Years	APAC and Europe	Hospitality
Hong Kong	G	IPVPN and Eline	USD2.5m	4%	2 years	APAC	Real Estate

Before the revised pricing empowerment based on account portfolio can be escalated, I had requested the pricing managers that oversee these account quotations to validate the sites and the routes, pricing as well as contract period. The pricing managers were given one week to verify the information. Upon validation from the pricing managers on 7th November 2014, the revised pricing empowerment based on the account portfolio were escalated to the VP Product. Figure 13 provides one of the sample escalations for one of the affected accounts; key information has been edited out to protect the identity of the approval, escalator, and the customer.

Figure 13: Sample Escalation of Pricing Empowerment Based on Account Portfolio Margin

From: [redacted]
Sent: 12 Nov 2014 7:41 PM
To: [redacted]
Cc: [redacted]
Subject: VP (Product) escalation: [redacted]

Dear [redacted]

Marketing would like to seek your approval to revise the pricing empowerment of [redacted]

Customer: [redacted]
Sales: [redacted]

- Previously, [redacted] only invites selected providers. However this time, it was heard from the tele conference that more providers were invited [redacted]
- It signals [redacted] intent to open up the playing field instead of relying on [redacted]
- [redacted] requested recently had requested many upgrade options and to better facilitate their requirement, it will be good to revised the empowerment framework based on current portfolio margin.
- Most of [redacted] request are protected option and this will provide us an opportunity to further improved our base line portfolio margin.

Marketing recommendation:-

- Team negotiated aggressively with partners for best quotes [redacted] achieving discounts up to 40% off list prices.
- Team reviewed strategy to ensure we maintain and improve the portfolio margin of [redacted]
- For each upgrade Product will review and optimise cost and routes to ensure we manage the margin of this account effectively.
- In total, [redacted] have around 49 links with us
- Thus, Marketing seek your approval for the below-mentioned revised pricing empowerment based on current customer product portfolio

Origin Country (City)	Destination Country (City)	Speed	Portfolio Margin
[redacted]	[redacted]	[redacted]	4%

- TP/AoR range from 25% to 84%.
- Product is supportive of the proposal.

For your approval please. Thank you.

4.4.3 Evaluating the Effectiveness of Pricing Empowerment based on Account Portfolio Margin

To evaluate the effectiveness of the revised pricing empowerment for the seven accounts identified in Table 22, I had measured the effectiveness based on the following key performance indicators:

1. Did the price quotation turn-around time (TAT) fall within three working days?
2. Did the margin of these accounts improve after a 1-year evaluation period ending 20th November 2015?

Based on the data generated by the pricing process manager, dated 27th November 2015, the performance of the seven accounts that had moved towards pricing empowerment based on account portfolio margin is shown in Table 23.

Table 23: Performance of Accounts on Portfolio Margin Pricing Empowerment

Country	Customer	Product	Previous Margin	Current Margin	TAT (days)	Industry
India	A	IPVN, Eline and IPLC	4%	6%	2	IT Services and Consulting
India	B	IPVPN and Eline	1%	6%	2.5	Banking
Europe	C	IPVPN, Eline and IPLC	4%	4%	1.5	Automobile
Europe	D	IPVPN, Eline and IPLC	6%	10%	2.5	Banking
US	E	Eline and IPLC	14%	14%	1	Banking
Singapore	F	IPVPN, Eline and IPLC	10%	11%	1.5	Hospitality
Hong Kong	G	IPVPN and Eline	4%	6%	1.5	Real Estate

Based on the data provided in Table 23, five of the seven key accounts shown an improvement in margin, and all the key accounts had a price quotation turn-around time of fewer than three days. Thus, based on these set of results, I will be able to conclude that pricing empowerment based on an account portfolio margin basis lead to an improvement in profitability and a faster go-to-market price quotation. The better margin improvement was mainly contributed by bandwidth upgrade, where the cost per megabytes reduces as bandwidth increases. Additionally, the improvement in margin was attainable because of the pricing managers' ability to negotiate for lower third-party connectivity costs. The desired price quotation turn-around time was achieved because the pricing manager no longer needs to escalate for approval when a price falls below the fixed product pricing empowerment of 16% for IPVPN and 8% for IPLC/Eline. Thus, I will be able to conclude that pricing empowerment based on account portfolio margin could enhance ABC's competitive advantage via better profitability and a faster go-to-market price quotation.

CHAPTER FIVE: CONCLUSION

5.1 INTRODUCTION

This chapter presents the conclusion of my action research study. My reflection with regard to my learning journey will also be covered in this chapter. I will also highlight the contributions of the study, explains its limitation, and provides the recommendation for future research in this section.

5.2 RESEARCH OBJECTIVES

My action research study focused on exploring how ABC can implement VBP in its channel partner pricing and pricing empowerment and how these two projects can help strengthened the competitive advantage of ABC. The findings presented in Chapter Four suggested that the shift from cost-plus pricing to value-based pricing in ABC's Channel Partner Pricing programs had helped the company maximised its revenue and profit potential. The benefits were derived by understanding the perceived values that the channel partners and its end customers had on ABC's global data connectivity services.

The two cases that were used to illustrate the channel partner pricing initiatives had provided a clear example of how VBP can be integrated into channel partner price negotiation. By integrating VBP in the channel partner price negotiation had allowed both channel partners and ABC to brainstorm on solutions that could better address customer pain points and requirement, thus giving ABC an opportunity to assess how its product and services can benefit its customer in terms of revenue streams, elimination of cost and emotional contribution. The close collaboration between ABC and its channel partners had provided an excellent source of reference pricing, allowing me to adjust my company product value proposition against those that were offered by our

competitors. The openness developed during the channel price negotiation process allows both ABC and channel partners to reach an agreement on the solution to be deployed at a winning price that had translated into downstream benefits for both parties. The benefits derived from VBP had strengthened the competitive advantage of ABC.

Although the plan to revise the universal pricing empowerment was being rejected by the stakeholders, the alternative approach to implement pricing empowerment for selected key accounts based on account portfolio margin was being supported by the stakeholders. Pricing empowerment based on account portfolio margin had further strengthened ABC's competitive advantage in terms of faster go-to-market turn-around time and better margin.

5.2 PERSONAL REFLECTION AND LEARNING JOURNEY

Embarking on my action research project was rewarding. The learning process that I went through during my action research journey had forced me to step out of my comfort zone and confront the status quo. Being an introvert, I need to convince myself that I could advocate my beliefs to the stakeholders effectively. This was done by being receptive towards various perspectives and articulate possible solutions to the issues on hand. For example, the pricing empowerment project was being rejected by the participants, but that did not stop me from seeking an alternative solution to a problem that I strongly felt should be addressed. Although the alternative outcome was less attractive than having to make a big bang changes to the legacy pricing empowerment, it managed to solve some of the pain points that were associated with universal pricing empowerment. The alternative solution to universal pricing empowerment was to amend the pricing empowerment margin of selected key accounts on a portfolio basis. The alternative solution had improved

productivity, profitability, and helped expedite ABC's VBP initiatives. On a positive note, despite not being able to amend the universal pricing empowerment framework for global data connectivity services, the findings from this exercise had nevertheless created awareness on the price sensitivity level in different countries and thus might help pricing managers in their pricing decisions.

At the initial stage of my research journey, there was some trust issue between participants and researcher; however, once the participants understood my intention, they had given me their utmost support and cooperation. Additionally, when advocating the necessary changes, the participants and I need to understand the complexity and politics involved in confronting the status quo. For example, the participants and I had identified three possible courses of action that can be undertaken to address the pricing related issues in ABC. However, upon discussion and addressing the complexity and politics involved in each course of action, the participants and I had decided to focus on channel partner pricing program and pricing empowerment. This was because the majority of the participants involved believed that the pricing team would have greater control over the implementation and outcome of these two courses of action.

The channel partner pricing program was implemented and had met its key objectives of expanding revenue base and profitability via value-based pricing. The positive experiences during the engagement process of the channel partner pricing program have created rapport among its participants. Friendships have been developed not just internally but also with the channel partners. Even though I had left ABC for other career endeavours, I still maintained a strong friendship with some of my channel partners. Nevertheless, the channel partner pricing program

had provided a guide to pricing managers on how VBP can be integrated into our negotiation with our channel partners.

5.3 CONTRIBUTION OF THE STUDY

Action research was used in my study for two reasons. First, there was very little research done on integrating VBP for global data connectivity services, the process by which this could be done was unclear. Thus, exploratory research was required, and action research provided this capability better than other alternatives. Second, I was also attracted by the degree of flexibility afforded by action research, particularly within multiple VBP related pricing projects that concerned a particular organisation problem that was unknown to the public.

Personally, I felt that my research had confirmed the usefulness of action research in that it provided the opportunity to build theory rather than test theory, with the end result being the actual effective integration of VBP in the channel partner pricing program. Additionally, action research had created an opportunity for me to implement alternative pricing empowerment based on account portfolio margin. This approach had let to better profitability and go-to-market turn-around time for seven key accounts. Most importantly, my research had provided a framework on how pricing manager can integrate both subjective and objective components of VBP in its price negotiation with the channel partners. If implemented correctly, it will provide an opportunity for a pricing manager to improved revenue-based and profitability.

5.4 LIMITATION

The findings of my action research study were based on a single regional ICT company based in Asia. Therefore, caution must be warranted when these findings are to be generalised to other organisations. Nevertheless, my study had provided an in-depth analysis of a firm's VBP integration process. The action research findings can be expanded by other researchers in their investigation on other regional or global ICT companies. By doing so, the findings from this study could be a reference point for comparison purposes with other similar studies.

Additionally, different organisations have different cost and organisational structure; thus, the perspective gathered from my action research study might not be duplicable to another organisation. Besides, different organisations might have different programs to stimulate their growth and competitive advantage; thus, the pricing related programs that were used in my action research study might not be applicable to others.

5.5 RECOMMENDATIONS

1. There were various courses of action the pricing team at ABC can advocate to enhance the firm's competitive advantage. The pricing team should look beyond what immediate impact the bid management team can do to improve ABC's pricing strategy and move towards devil advocacy and challenging the status quo.

2. As per indicated in Chapter 4, the action research about amending the universal pricing empowerment for both IPVPN and Eline/IPLC was not implemented because the pricing director and pricing managers felt changes towards the current pricing empower had

minimal impact on current pricing routines. Although an amendment to the current pricing empowerment will only affect less than 20% of total cases, the future potential of this adjustment cannot be underestimated. For example, by acknowledging price sensitivity in different countries and by adjusting the pricing empowerment accordingly, pricing managers will have greater flexibility in making strategic pricing decision in accordance with market competition and will be in a better position in helping ABC's sales team secure more wins and strengthen its regional leadership position. Additionally, by adjusting the pricing empowerment accordingly, the number of escalations will also be reduced, and thus productivity of pricing managers can also increase. Therefore, it is highly recommended that the pricing team should lobby for a change in current pricing empowerment.

3. The action research adopted in this study can be conducted on other ICT companies so that a comparison with the findings can be made. This will help generalised the findings in this study and reveal any other issues that were not covered in this research study.

4. As mentioned in Chapter 3, the trend in global data connectivity services is to provide a holistic integration of solutions to include products such as managed services, hosting, and internet and cloud solution. Thus, it will be beneficial for future research to combine these products with global data connectivity services so that more holistic research towards pricing strategy from a price bundling perspective can be further investigated

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PARTICIPANT CONSENT FORM

Title of Research Project: Understanding the dynamics of pricing strategy and competitive advantage of a firm: An Action Research on a Regional ICT Company in Asia

Researcher(s): Lee Wen Jun, Demain

	Please initial box
1. I confirm that I have read and have understood the information sheet dated [DATE] for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily.	☐
2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason, without my rights being affected.	☐
3. I understand that, under the Data Protection Act, I can at any time ask for access to the information I provide and I can also request the destruction of that information if I wish.	☐
4. I agree to take part in the above study.	☐

Participant Name	Date	Signature
Name of Person taking consent	Date	Signature
Researcher	Date	Signature

The contact details of Researcher:

Lee Wen Jun, Demain

+65 8339 3886

wenjundemain.lee@online.liverpool.ac.uk

Appendix 2

PARTICIPANT INFORMATION SHEET
Understanding the dynamics of pricing strategy and competitive advantage of a firm: An Action Research on a Regional ICT Company in Asia

As part of an on-going study on the dynamics of the pricing process within the organisation, I would like to invite you to participate in this research study. This information sheet will help you understand why the research is being done and what it will involve. Please take the time to read the following information carefully, and if you have any queries, please do not hesitate to contact me at the address below. Upon reading the participant information sheet, you have a choice to opt-in or opt-out of the research study by clicking on the necessary button provided in this e-mail.

Purpose of the Study

The study aims to evaluate the pricing process of the organisation. This study that you are being asked to take part will allow the organisation distinguish numerous ways in which pricing related processes can be enhanced to strengthen competitive advantage.

Why have I been chosen to participate, and do I have to take part?

You have been chosen to take part in this study because you have been identified as a critical influencer to the organisation pricing process. Participation in this study is voluntary, you will be given an option to either opt in or opt out of the study by clicking on the options button make available in the electronic consent form. You are free to withdraw from this study at any point in time.

What will happen if I take part?

If you decide to take part in this study, the information you provided pertaining to pricing process and strategy will be used in this study. The study will gather the pricing related qualitative data through personal communication medium such as formal group discussion, meetings and e-mail correspondence. The qualitative data will be analysed through qualitative software such an Nvivo.

Will my details be kept private?

Yes. All personal information will be kept secure in compliance with the Personal Data Protection Act. Information access is only limited to the researcher as rights would need to be granted to any personnel who wish to have access to the project information. Personal information will be further protected through anonymisation.

Are there any risks and benefits in taking part?

There are no known mental or physical risk associated with this study. However, should you feel uncomfortable in sharing more information, you are free to withdraw from this study at any point in time. Some benefits include improvement in cross-departmental collaboration, secure more wins, revenue, profitability, quicker go-to-market quotation as well as enhanced productivity.

What if there is a problem?

If there is a problem or enquiries, please feel free to let the researcher know by contacting Demain Lee at (wenjundemain.lee@online.liverpool.ac.uk). If you remain unhappy or have a complaint which you feel you cannot come to me with then you should contact the Research Governance Officer at ethics@liv.ac.uk. When contacting the Research Governance Officer, please provide details of the name or description of the study (so that it can be identified), the researcher(s) involved, and the details of the complaint you wish to make.

What will happen to the results of the study?

The results of the study will be published as part of the researcher doctoral thesis and will be shared with the participants. All personal and organisational information will be protected through anonymisation and thus would not be identifiable in any resulting publications.

Contact Details of Researcher:

Lee Wen Jun, Demain
wenjundemain.lee@online.liverpool.ac.uk
T +65 6838 5823(Ext:5823)